

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

IN RE:) CIVIL ACTION NO.
) 3:09-CV-0721-N
STANFORD INTERNATIONAL BANK,)
LTD.,) DALLAS, TEXAS
)
Debtor in a Foreign Proceeding.) DECEMBER 21, 2011

TRANSCRIPT OF EVIDENTIARY PROCEEDINGS
BEFORE THE HONORABLE DAVID C. GODBEY
UNITED STATES DISTRICT JUDGE

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P R O C E E D I N G S

DECEMBER 21, 2011

THE COURT: Be seated. Good morning.

MR. SADLER: Good morning.

MR. POWERS: Good morning, Your Honor.

THE COURT: We have a commuting interpreter. So to expedite your role today, I'm going to go ahead and swear you in. This is the short form.

(Interpreter Michael Mahler sworn by the Court.)

THE COURT: Thank you very much. And feel free to come and go as you need to.

THE INTERPRETER: Yes, sir.

THE COURT: Apparently at some point I told you- all four hours per side. Is that your recollection as well?

MR. SADLER: Yes, sir.

MR. GROSSMAN: Yes, sir.

THE COURT: That's going to take us until about 7 o'clock tonight. Do you actually need four hours per side? Can we do this in three hours per side?

MR. SADLER: For our side, Your Honor, we will work as hard and as fast as we can to bring it in under four hours.

MR. GROSSMAN: Same on our side, Your Honor.

THE COURT: I'm sorry?

MR. GROSSMAN: The same on our side. We'll try

1 and move it quickly.

2 THE COURT: Okay. Can we do it in three? Can I
3 give you three hours per side and know that we'll be done
4 by 5:00?

5 MR. GROSSMAN: I hate to quibble with the Court.
6 Can we have three and a half? Because I think that's where
7 we have sort of timed out.

8 THE COURT: Okay. Sure. Three and a half.

9 MR. GROSSMAN: Thank you, Your Honor.

10 THE COURT: Six is better than seven.

11 MR. SADLER: That's fine, yes. Thank you,
12 Your Honor.

13 THE COURT: Okay. Good. I've been in a bench
14 trial the last seven days. And I think my comprehension
15 for that hour between 6:00 and 7:00 would be so low, it
16 probably wouldn't do anyone any good.

17 So here's what I contemplate doing: giving everyone,
18 if they want, a chance to make a short opening, though the
19 matter has been briefed extensively and I've read maybe
20 not every word that you've written but most of the words
21 you've written. So I pretty well know your general
22 positions on that, my point being, I don't know that you
23 need a big, long opening, but I'll let you do one if you
24 want to. And, of course, it will come out of your
25 three-and-a-half-hour budget.

1 The Joint Liquidators, as I understand, have the burden
2 of proof, so I think they probably go first. This is a
3 little bit of an odd procedure because the direct is in
4 writing. But I would contemplate you would tender the
5 direct of your witnesses in whatever order you choose, that
6 the other side would then have the opportunity to cross
7 them.

8 What I'm thinking I will do is we've got the direct in
9 writing. I'll permit a round of cross, a round of redirect,
10 and a round of recross, and done. You don't have to do all
11 those if you don't want to. But if you think you should
12 need them, I'll let you have essentially up to two rounds
13 per side, and then the other side will have the same
14 sequence, and then closings.

15 And the openings and closings and your examination of
16 the witnesses will all come out of your respective time
17 budgets.

18 We'll take a break for lunch at about 12:30, morning
19 break about halfway through the morning, afternoon break
20 about halfway through the afternoon for probably 15 or 20
21 minutes.

22 So I was sad to hear that the mediation didn't work.
23 I'm even sadder that all of the resources that are going
24 into this, including attorney time and money, are not going
25 towards trying to actually compensate victims. But that

1 apparently is where we are. So --

2 MR. SADLER: Your Honor, if I may address the
3 Court about one procedural issue?

4 THE COURT: Oh, so shortly.

5 MR. SADLER: Yes, sir. With the direct testimony
6 being filed, exhibits already being filed with the Court,
7 our view is that all of the exhibits are in the record.
8 Your Honor is to consider them in the Rules of Evidence and
9 give them what weight, if any. And we would not like to
10 spend time arguing about specific objections over specific
11 documents. It will -- it will really waste the Court's
12 time.

13 There are some objections that were filed by the Joint
14 Liquidators that we got last night. And my proposal, as
15 I've -- I've made to them, is that all the paper that we've
16 dumped on the Court ought to just go in the record and the
17 Court can rely on whatever it wants.

18 But if they want to proceed with the 45 or so objec-
19 tions they have, my view is that ought to come out of their
20 time and we ought to go ahead and get that out of the way up
21 front rather than interrupting the testimony as we go along.

22 THE COURT: Don't care. If they want to take time
23 and argue them, that's fine. If you want to address them on
24 the fly, that's fine. If you want to do them on the papers
25 post hearing, that's fine, too.

1 I just want the record to be closed at some point so
2 we can resolve this and move on. So whatever is the most
3 expeditious way to do that is fine with me.

4 So are the Joint Liquidators ready to proceed?

5 MR. GROSSMAN: Yes, Your Honor.

6 THE COURT: All right.

7 MR. GROSSMAN: May it please the Court, I am Greg
8 Grossman for the Joint Liquidators.

9 Your Honor, before I launch into what the evidence will
10 show during this trial, I wanted to take a step back and
11 give the Court our perspective on why the Joint Liquidators
12 are requesting recognition for the Antiguan proceeding and
13 how we've tried to go about the process.

14 In our view, Chapter 15 is a tool for the use of the
15 benefit of creditors. Months ago the Joint Liquidators pro-
16 posed a comprehensive cross-border protocol to address the
17 main issues that happen in international insolvencies and
18 to address specific issues that have been raised in this
19 case. The protocol is in our exhibit book, and it was also
20 attached to our brief.

21 We tried to avoid this hearing altogether. In
22 rereading the transcript from the status conference, it
23 became -- it reminded me that the Receiver advised the
24 Court that he has largely completed his work in closing
25 up the corporations, in liquidating the noncash assets,

1 and really what is left to be done is clawback litigation
2 and the claims process to manage.

3 The transcript also reminds that the Committee and
4 the Receiver asked this Court or notified this Court of
5 its need for information from the Antiguan proceedings and
6 a hope to have the distribution process and claims process
7 coordinated with that proceeding.

8 With those very issues in mind, sections of the
9 protocol that we propose address each of those in turn.
10 Unfortunately, for reasons that are still frankly mystifying
11 on our side, we have not been able to reach a cooperative
12 protocol.

13 Turning to today's event, Your Honor, the Joint
14 Liquidators are asking for recognition for the Antiguan
15 proceeding to obtain tools for the benefit of creditors.
16 Firstly, some tools have nothing to do with litigation in
17 the United States or assets in the United States. One of
18 the tools that is given in a Chapter 15, once recognition
19 is granted, is the ability to obtain discovery throughout
20 the United States.

21 Since it's a, quote, bankruptcy case, it has nationwide
22 jurisdiction; service of process is nationwide; and under
23 the bankruptcy rules, which will be the Federal Rules of
24 Bankruptcy Procedure, Rule 2004, which, for the bankruptcy
25 lawyers in the room, is a court-sanctioned fishing expedi-

1 tion to find assets, to investigate claims, and to support
2 claims that you intend to bring.

3 These claims I'm talking about, Judge, are not claims
4 necessarily to be brought in the United States. For
5 instance, if the Joint Liquidators needed to file suit
6 against someone outside of the United States, but there
7 is information from third party witnesses somewhere in
8 the United States, granting recognition will allow us to
9 subpoena through a Rule 2004 examination to obtain that
10 information.

11 Turning to the items within the United States,
12 specifically the clawback litigation, it is no secret that
13 the clawback defendants have raised whether the Receiver
14 has standing to bring those claims. I understand the Court
15 has ruled, adopting the then withdrawn portion of the Fifth
16 Circuit, and now that issue of standing is back up to the
17 Fifth Circuit.

18 It's obviously fairly controversial because the Uniform
19 Fraudulent Transfer Act talks about creditors bringing
20 claims. The Receiver, as I read the Court's decision, was
21 given status as the representative of the creditors. The
22 Joint Liquidators have no standing issue. If the Joint --
23 if the Antiguan proceeding is granted foreign main recog-
24 nition, we believe Antiguan law would govern that clawback
25 litigation, and under Antiguan law Joint Liquidators have

1 the rights of creditors and can bring those claims.

2 By the way, in the U.S., Congress solved this problem
3 for bankruptcy trustees by enacting a section of the Bank-
4 ruptcy Code, 544, giving the bankruptcy trustee the power
5 to bring those claims as an unsecured creditor.

6 The notion here, Judge, is a plan B. What if the
7 Fifth Circuit reverses course and says the Receiver does not
8 have standing? Those clawback cases could be lost forever.
9 Our proposal in the joint protocol was to stand with the
10 Receiver, intervene in clawback litigations as a party
11 plaintiff, stand next to the Receiver and tell the clawback
12 defendants, if you win on standing as to the Receiver, you
13 won't win against the Joint Liquidators, so you ought to
14 get real and settle your case.

15 Similarly, Judge, statute of limitations. The statute
16 of limitations, the four-year plus the one-year discovery
17 rule, I understand the Court has said that that discovery
18 rule begins when it was reasonably -- when it could be
19 reasonably found of the fraudulent nature of the trans-
20 action, that's also not an uncontroversial decision.
21 Florida is exactly the opposite. Knowledge of the transfer,
22 irrespective of knowledge of its avoidability, starts the
23 clock.

24 Again, the Joint Liquidators have no issues. We have
25 a six-year statute of limitations under Antigua law. And

1 if granted recognition for the foreign proceeding under 108
2 of the Bankruptcy Code, we get an additional two years to
3 bring the claim. Again, the notion here is to stand with
4 the Receiver and tell the clawback litigants to settle
5 their cases expeditiously.

6 Though the Receiver has not yet brought liability
7 claims, if such a liability -- I want to talk about a
8 liability claim, talking about an aiding and abetting claim,
9 aiding and abetting of fraud, aiding and abetting a breach
10 of fiduciary duty, or a professional negligence claim.

11 If that claim was to be brought here in the United
12 States by the Receiver, we all know that there's going to
13 be an in pari delicto defense raised, meaning the Receiver
14 steps into the dirty shoes of the entity under receivership.
15 And that case law suggests that you can't escape that and
16 those defendants will raise that issue.

17 In our view, and you'll hear the testimony, Antiguan
18 law, which is based on UK common law, doesn't have the same
19 notion of in pari delicto for circumstances like we have
20 here, again a benefit we believe that we can provide if
21 the Antiguan proceeding is granted recognition. Moreover,
22 Judge, circling back, granting recognition to the foreign
23 proceeding allows a protocol to be put in place so that
24 the claims process and the distribution schemes can be
25 coordinated.

1 Turning to what the evidence is going to show today,
2 Judge, we've got two sets of ministerial issues that we have
3 to satisfy. And, again, unfortunately we were not able to
4 obtain a stipulation as to these ministerial issues. So
5 let me do them.

6 Are we a foreign proceeding? We believe the evidence
7 will show that the proceeding is collective, it's judicial,
8 it's pending in a foreign country, it's under an insolvency
9 law, it's under supervision of a foreign court, and it's for
10 the purposes of liquidation. That would be the definition
11 of foreign proceeding.

12 Under 1515 and 1517 of the Bankruptcy Code, we believe
13 we meet the other ministerial requirements. The Joint
14 Liquidators are persons. They have -- there is a petition
15 for Chapter 15 relief requested, copies of the appointment
16 orders and the petition -- I'm sorry, of the foreign
17 commencement have been filed, and a statement identifying
18 the foreign proceedings is in the record.

19 But, Judge, let me talk about a couple of things that
20 I think are going to be highlighted here in the trial.

21 The Liquidators are asking for recognition of the
22 Antiguan proceedings as to SIB. That's the only entity
23 that's in liquidation in Antigua that we're talking about
24 here. The other Stanford entities in our view are simply
25 irrelevant for Chapter 15 purposes.

1 And why do I say that? Well, I say that because the
2 Fifth Circuit has said so. We have In re Condor and we
3 have In re Ran, the two Fifth Circuit cases on Chapter 15.
4 In In re Ran, the Fifth Circuit teaches us that when you
5 look to the statutory language and it is clear, it's both
6 the beginning of the analysis and the end of the analysis.

7 In this situation -- in the Ran situation, the Fifth
8 Circuit said the fact that Chapter 15 speaks in present
9 tense was controlling to their decision. We believe,
10 similarly, the fact that Chapter 15 speaks of a single
11 entity, it talks about a foreign proceeding being the
12 subject of a debtor. And a debtor is itself defined as
13 an entity.

14 So if the tense of a verb in Chapter 15 matters, we
15 believe the singular versus the plural also matters.
16 Accordingly, we don't believe that the other Stanford
17 entities are really relevant for the COMI analysis.

18 Now, what is the COMI analysis? And you say, Judge,
19 we have two very different views, the two sides, of what
20 you're supposed to look at. We believe the Fifth Circuit
21 has already spoken to this. In the In re Ran case, they
22 said, it is important that the COMI be ascertainable by
23 third parties. And it explains the rationale of that
24 view. It then goes on to apply that very principle.

25 The Receiver, however, takes the opposite view and

1 says that this Court should be guided by the Hertz decision,
2 which is obviously not a COMI decision. It's a principal
3 place of business decision, and it's entered in 2010 to
4 resolve a split amongst the Circuits.

5 So from their perspective, they're asking this Court
6 to apply principal place of business as the yardstick for
7 COMI and then apply the Supreme Court's change of the law,
8 because if you read Hertz, you'll see the Circuits had a
9 multifactored test to determine what principal place of
10 business is.

11 From our view, that ignores 1508. 1508 says the Court
12 is to be guided by the international origins of Chapter 15
13 and interpreted consistent with other courts in other parts
14 of the world who have similar statutes.

15 The issues involved in Hertz involved whether or not
16 someone could bring their claim in federal court. But the
17 result, if they are unsuccessful, is they have their suit
18 in state court.

19 The issues in COMI of whether or not you're going to
20 get foreign main recognition is international in scope and
21 far more significant than which forum you would be able to
22 bring the claim. It has to do with whether the courthouse
23 door will be even open.

24 We believe the Fifth Circuit has now mandated that the
25 evidence of COMI has to be viewed through the eyes of third

1 parties, ascertainable by third parties, objective criteria
2 ascertainable by third parties.

3 Now, who are these third parties? It's CD depositors
4 and trade creditors. And what was ascertainable by them?
5 Well, Judge, the main marketing brochure for Stanford
6 International Bank couldn't be any clearer, quote: Stanford
7 International Bank, Ltd., conducts business with the world
8 from its headquarters in Antigua. That's the brochure.

9 The other marketing materials also highlight Antigua.
10 It's a zero tax jurisdiction, if you look at the materials.
11 It has a map of where Antigua is in the Caribbean, and it
12 references the fact that the Antiguan regulatory authorities
13 are the ones in control.

14 The evidence is going to show that U.S. residents
15 were required to sign a subscription agreement. And that
16 subscription agreement says that Antigua law governs, and
17 those American depositors got a disclosure statement which
18 told them, your deposit is not insured by the FDIC; the
19 SEC and the FDIC are not regulating this investment.

20 It's also pretty clear, and you'll hear from the testi-
21 mony, that the CD holders--again, the third parties--did
22 not ascertain where Stanford International Bank's assets
23 were being invested. The evidence is going to show that
24 the operational banking activities took place in Antigua.

25 What am I talking about here? Customer service, credit

1 card administration, loan administration, letters of credit,
2 letters of guaranty. There was a 30,000-square-foot
3 building in Antigua with 90 employees operating the bank,
4 doing those banking operation functions I referred to.

5 The evidence is also going to show the extensive
6 records that are in Antigua. Importantly, the customer
7 information is Antiguan. The documents necessary to do
8 the claims process and the distribution are in Antigua,
9 customer by customer, folder by folder.

10 The other issue for today, Your Honor, is public
11 policy. Frankly, Judge, we do not believe that any evidence
12 here is going to support the notion that recognition of the
13 Antiguan proceedings is manifestly contrary to the public
14 policy of the United States.

15 First, the Liquidators are not an arm of the Antiguan
16 government.

17 THE COURT: If I can interrupt --

18 MR. GROSSMAN: Yes, sir.

19 THE COURT: -- for just one second. I got a
20 letter yesterday from the Department of Justice that
21 appeared to be copied to everybody else. Did all of you
22 guys get that?

23 MR. SADLER: Yes, sir. Yes, Your Honor.

24 MR. GROSSMAN: We did, Your Honor.

25 MR. SADLER: We'll be offering that as an exhibit.

1 THE COURT: Okay. Sorry.

2 MR. GROSSMAN: Fine, Your Honor.

3 First, Judge, the Joint Liquidators are not an arm of
4 the Antiguan government. They are agents of the Court,
5 much like Mr. Janvey is a Receiver, he reports to the Court.
6 The fact that he was appointed at the behest of the SEC
7 doesn't make him a government actor. Similarly, the Joint
8 Liquidators are not under the control of the Antiguan
9 executive branch nor the regulators in Antigua. You're
10 going to have no evidence that the Antiguan judge is some-
11 how corrupt or corruptible.

12 The Joint Liquidators have stated time and time again
13 that if there are claims against the Antiguan government,
14 the claims will be brought. As of this point, there is
15 no loan -- despite an allegation made in the brief by the --
16 by the Committee, there is no loan on the books that shows
17 Stanford International Bank making a loan to the Antiguan
18 government. But if there's a traceable claim to the
19 Antiguan government, the Joint Liquidators will bring it.

20 With respect to what's highlighted in the brief
21 regarding Mr. Fundora, Mr. Fundora asked to put Stanford
22 International Bank into liquidation and that request was
23 denied by the Antiguan judge. That was 2009, and nobody
24 told this Court that Mr. Fundora acted inappropriately or
25 in contravention of this Court's order. We put in our

1 brief the response to that notion, that he was not acting
2 in violation of this Court's order.

3 Two years later, when he asked to remove the former
4 Joint Liquidators and appoint new ones, he was also not
5 acting in violation of this Court's order. The analogy the
6 Receiver tries to draw from the Gold & Honey case is simply
7 not apt. In that particular case, the creditor went and
8 seized property in a foreign country despite an automatic
9 stay, not commencing a collective proceeding.

10 Judge, another issue here is the timing, when do you
11 decide the COMI? Do you decide the COMI back when the
12 foreign proceeding was commenced? Do you decide it when
13 the Chapter 15 was filed? Well, fortunately, the Fifth
14 Circuit has already told us the answer to that in In re Ran.
15 It is the time in which the Chapter 15 petition was filed.

16 The Receiver takes a contrary view to that case and
17 says that you should look to the date in which the new
18 Joint Liquidators reinvigorated the proceedings here.

19 First, Judge, obviously the Fifth Circuit has spoken
20 and that's that.

21 Second, the analysis that we should restart the clock
22 when the new Joint Liquidators come forward, fails to
23 understand that, under Chapter 15, courts don't recognize
24 foreign representatives. You recognize foreign proceedings.
25 The proceeding was filed. The Chapter 15 was filed. The

1 fact that the representatives change is not relevant.

2 And that's for a very practical purpose. If a
3 liquidator was appointed in another country and dies or
4 resigns or withdraws, you don't start the clock to the
5 detriment of the creditors and parties in interest in the
6 Antiguan proceeding.

7 Last, Judge, in our brief, we told you that when you
8 substitute a party plaintiff, it relates back to the date
9 of the filing.

10 In sum, Judge, the Joint Liquidators very much wanted
11 to avoid today; have a cooperative protocol, a respectful
12 one, one that understands we're dealing with two courts
13 in sovereign jurisdictions; try to find a balance with
14 appropriate limitations that was geared specifically to
15 enhance the rights of the creditors. And we hope that
16 that will still be the result.

17 Thank you, Your Honor.

18 MR. SADLER: Thank you, Your Honor. Good morning.

19 I think there are two why questions that hang over
20 these proceedings this morning, Your Honor. First of all,
21 why are we, all of us, here today. And then the second
22 question is, why are these Joint Liquidators here today.

23 The answer to the first question, why are we all here
24 today, is because of them. Your Honor had the opportunity,
25 was ready, we were all ready, to decide this issue almost

1 two years ago in January of 2010. But because of things
2 they did, which we will highlight, all of that came to a
3 stop, the whole liquidation proceeding in Antigua died for
4 almost a year, and now we're reinventing the wheel all
5 over again.

6 The answer to the why are they here, it's not about
7 protocols. It's not about cooperation and everyone getting
8 along. It's about controlling the bank. Because their view
9 is if they control the bank, they control everything they
10 see related to the bank, which is every dime that exists on
11 the planet related to Stanford, the frozen funds overseas,
12 the funds in Mr. Janvey's bank account, and that's why they
13 are here is to get control of the bank.

14 The evidence, and we briefed it to death, is there is
15 no COMI in Antigua. There is no economic establishment in
16 Antigua. So foreign main, foreign nonmain, they cannot
17 prove it. And it doesn't matter whether you dignify the
18 fraud, which is what he just asked you to do, acknowledge
19 the window dressing, acknowledge the paper pushers,
20 acknowledge the pretty building down in Antigua and treat
21 that as if it were real instead of window dressing, we
22 all know it was. And there's nothing in Chapter 15 that
23 suggests that you should dignify the fraud.

24 But if you look at it the other way and look at the
25 actual evidence about what was ascertainable, it was

1 disclosed in SIBL's public statements that they had
2 outsourced virtually everything, everything, to other
3 Stanford entities. If you look at the COMI factors, no
4 assets in Antigua, no creditors in Antigua. It is -- it
5 is impossible for them to carry the burden under either
6 main or nonmain.

7 Now, the other problem they have which they are trying
8 to totally skate by is they don't have a petition on file.
9 Chapter 15 says the human beings who want to be recognized
10 have to have a petition on file. They don't. The only
11 petition on file is the one Vantis filed, and they're
12 trying to disown everything that Vantis did except they
13 want the benefit of Vantis's filing.

14 But this appointment order that they filed as an
15 attachment to a motion for summary judgment that they asked
16 you to let them file and you denied, that's not a petition
17 for recognition. They have got a serious problem that
18 they have chosen not to try to fix with perhaps an amended
19 petition for recognition. They just haven't done it.
20 And so the petition they have on file is fundamentally
21 defective.

22 There was a mention of Mr. Fundora, and there's going
23 to be talk about that because I think the Gold & Honey case
24 really is instructive on the kind of litigation gamesmanship
25 that went on that brought us here to today.

1 As I said, we would have had this issue decided two
2 years ago. We had an agreement with Vantis that was pre-
3 sented to this Court, presented to the Antiguan court, and
4 they torpedoed it.

5 And you're going to see in black and white in writing
6 why they torpedoed it, why it was so urgent to get Mr. Wide
7 in at the behest of Mr. Fundora. And it was all about
8 fighting Mr. Janvey and taking control of assets before this
9 Court took control of them, because they realized, once this
10 Court had the control of assets, they weren't going to be
11 able to be moved to Antigua.

12 And that was the point of it, getting assets down to
13 Antigua, just like they've done and they're doing, fighting
14 the DOJ with the funds frozen overseas. And rewarding that
15 kind of litigation tactic which at a minimum has cost this
16 Receivership thousands upon thousands of dollars to re-
17 litigate this Chapter 15 issue when it was resolved two
18 years ago isn't something that should be rewarded.

19 And, last, they talk about this protocol. And you're
20 going to see it. I mean, they attached it to their brief,
21 but we're going to go over it. And the best way to describe
22 that protocol is they stand ready to agree to anything that
23 gives them everything they want. That's the protocol. And
24 that is inconsistent with Mr. Janvey's duties under his
25 appointment order and, of course, we wouldn't agree to that.

1 Of course we wouldn't. And you'll see -- you'll see very
2 plainly why.

3 But the fundamental problem with any kind of recog-
4 nition under these circumstances is the last thing this
5 Receivership needs, the last thing the investors need, is
6 two representatives of the bank here in the United States.

7 For the last three years, the bank has had a repre-
8 sentative in the United States. He didn't take a year off,
9 didn't take a sabbatical, didn't set down the Receivership.
10 There has been a representative. And to put a second
11 representative in the case is unneeded, unwarranted, and
12 I think would prove unwise and unhelpful to investors.

13 Your Honor recently was presented with intervenors who
14 wanted to come in and they wanted to be part of this and
15 they wanted to file motions and they wanted to get on the
16 Investor Committee because they didn't agree with how things
17 were being run. And they made a case for intervention under
18 the federal rules.

19 But Your Honor, I think correctly and wisely, said, the
20 last thing this thing needs is another set of people coming
21 in to duplicate work that's already been done.

22 And the only pitch I heard this morning is that somehow
23 these folks think they have some theory under foreign law
24 that's never been tried, never been tested, never been
25 litigated in U.S. courts, to come over here and file more

1 lawsuits.

2 You have got people already filing hundreds of law-
3 suits. I don't see how filing more lawsuits in United
4 States courts is going to help anybody. It will provide
5 income to lawyers. That we can all understand. But it is
6 not a reason to reward these petitioners with Chapter 15
7 recognition.

8 Thank you, Your Honor.

9 THE COURT: Anyone else on that side of the
10 courtroom?

11 MR. LITTLE: Your Honor, I was not going to make
12 an opening, but I want to take 30 seconds to point out a
13 very significant omission from Mr. Grossman's opening.

14 He talked about the business of the bank being con-
15 ducted in Antigua. The one thing he didn't mention when he
16 ran through the business was the sale of CDs. He didn't say
17 those words because the bank in Antigua didn't sell any CDs.
18 Those were sold out of the United States and in other places
19 in the world, but not out of Antigua. And that's the
20 business of the bank.

21 THE COURT: Anybody else?

22 MR. REECE: Your Honor, nothing from the
23 Commission, no.

24 THE COURT: Okay. Joint Liquidators can proceed.

25 MR. GROSSMAN: Thank you, Your Honor. Your Honor,

1 the Joint Liquidators call Nicolette Doherty to the stand.

2 THE COURT: Could you raise your right hand,
3 please?

4 (The witness was sworn by the Court.)

5 NICOLETTE DOHERTY, SWORN,

6 DIRECT EXAMINATION

7 By Mr. Grossman:

8 Q. Good morning, Ms. Doherty. Could you please state your
9 full name?

10 A. Nicolette Margaret Doherty.

11 Q. Ms. Doherty --

12 THE COURT: If I can inquire. What I contemplated
13 is the direct is already written?

14 MR. GROSSMAN: I'm going to submit it right now.

15 THE COURT: We can dispense with the name and all
16 that and just go straight to the cross then.

17 MR. GROSSMAN: Thank you, Your Honor. Your Honor,
18 we would move to admit Ms. Doherty's sworn written direct
19 testimony in lieu of live testimony and move the documents
20 attached to that direct testimony into evidence and tender
21 the witness.

22 THE COURT: Okay. Cross?

23 MR. SADLER: Yes, Your Honor. Given that we
24 understand that Ms. Doherty is litigation counsel for the
25 Joint Liquidators in Antigua, we have no questions for this

1 witness. She's just their lawyer.

2 THE COURT: Okay. Thank you, ma'am. You may step
3 down.

4 MR. WIELEBINSKI: Good morning, Your Honor. I'm
5 Joe Wielebinski. I'm with Munsch Hardt. I'm going to be
6 handling Justice Gordon. I'd like to call to the stand
7 Justice Michael Gordon.

8 THE COURT: Go ahead and have a seat, please, sir.

9 THE WITNESS: Thank you.

10 THE COURT: Could you raise your right hand,
11 please?

12 (The witness was sworn by the Court.)

13 MICHAEL BRUCE GARNET GORDON, SWORN,

14 DIRECT EXAMINATION

15 By Mr. Wielebinski:

16 Q. Good morning, Justice Gordon. Can you state your name
17 for the record?

18 A. Michael Bruce Garnet Gordon.

19 Q. Thank you very much.

20 MR. WIELEBINSKI: Your Honor, we hereby move to
21 admit Justice Gordon's written direct examination and the
22 accompanying exhibits.

23 THE COURT: All right. Cross?

24 MR. SADLER: Your Honor, thank you. We very much
25 appreciate Justice Gordon being here, but we don't think his

1 testimony really relates to the Chapter 15 issue, so we do
2 not have any questions for him.

3 But thank you for coming, sir.

4 THE COURT: All right. Thank you, sir. You may
5 step down.

6 MR. DAVIS: Your Honor, good morning. Edward
7 Davis for the Joint Liquidators with Astigarraga Davis.
8 Your Honor, we call Mr. Augusto Corrales to the stand with
9 the -- with the interpreter.

10 THE COURT: Could you raise your right hand,
11 please, sir?

12 (The witness was sworn by the Court.)

13 THE WITNESS: Yes, I swear.

14 AUGUSTO CORRALES, SWORN,

15 DIRECT EXAMINATION

16 By Mr. Davis:

17 Q. Can you state your name for the record, please?

18 A. Augusto Corrales.

19 MR. DAVIS: Your Honor, we hereby move the
20 testimony and exhibits attached to the written direct
21 testimony of Mr. Corrales into evidence.

22 THE COURT: All right. Any cross?

23 MR. LITTLE: Your Honor, I'll be handling the
24 cross for the Receiver and the Investors Committee and
25 the Examiner.

CROSS EXAMINATION

1

2 By Mr. Little:

3 Q. Mr. Corrales, good morning. My name is John Little.

4 I'm the Examiner appointed by the Court in this case.

5 A. My pleasure, sir.

6 Q. Now, when you purchased Stanford International Bank

7 CDs, you did so through a financial advisor. Correct?

8 A. Correct.

9 Q. And that financial advisor was located in Venezuela.

10 Correct?

11 A. Yes, he was located in Venezuela.

12 Q. And when -- and you understood he was employed by a

13 Stanford entity in Venezuela. Correct?

14 A. The gentleman was a financial advisor.

15 Q. And he was employed in Venezuela.

16 A. He worked in Venezuela as a financial advisor.

17 Q. Okay. Thank you. Now, when -- you understood that

18 the bank was in difficulty in February of 2009.

19 A. Several days before, on the 17th of February of 2009.

20 Q. Okay. And at that point, the person you contacted was

21 your financial advisor in Venezuela. Correct?

22 A. I did more things. I contacted the financial advisor

23 in Venezuela, and I went to Antigua.

24 Q. But so that we're clear, the first thing that you did

25 was contact your financial advisor. Correct?

1 A. The first thing I did was to send a letter requesting
2 the early redemption of the CDs.

3 Q. And that was sent to your financial advisor.

4 A. No. It was sent to Ms. Sonia Davies at the Stanford
5 International Bank in Antigua where I had it and where I
6 had been earlier.

7 Q. Mr. Corrales, let me show you what was Exhibit 5 to
8 your direct testimony.

9 A. My pleasure.

10 Q. Do you recognize this, Mr. Corrales, as the letter
11 you're referring to?

12 A. That's correct. Yes, this is. And it is addressed
13 to Ms. Sonia Davies, Senior Supervisor of Client Services
14 at Stanford International Bank in Antigua.

15 Q. And so that we're clear, Mr. Corrales, this letter
16 says, "I have informed your bank through Mr. Antonio
17 Tepedino and Miss. Maria E. Mendez, via e-mail and by
18 hand delivery of the needed documents, my decision to call
19 for the early redemption of all Fixed CDs belonging to my
20 company Inversiones, 7000, A.C., C.A., as well as, my
21 personal's ones."

22 That's what it says.

23 A. Yes. I first contacted both of them at the same time,
24 Mr. Antonio Tepedino and Senorita Maria Mendez, and sent
25 the letter at the same time.

1 Q. And Mr. Tepedino was your financial advisor.

2 A. That is correct.

3 MR. LITTLE: I pass the witness.

4 REDIRECT EXAMINATION

5 By Mr. Davis:

6 Q. Mr. Corrales, why did you go to Antigua in February of
7 2009?

8 A. Well, perhaps I should say that I had been in Antigua
9 before. I was there in October. There were employees of
10 mine that they're in Grenada in 2007, and I also was in
11 Antigua in October of 2008 and on business at Stanford
12 International Bank in Antigua.

13 MR. LITTLE: Your Honor, I move to strike all of
14 this, none of it responsive to the question that was asked
15 on redirect, which is, why did you go in February.

16 THE COURT: Sustained.

17 Q. (BY MR. DAVIS) Tell us why you went in February first,
18 and then I'll follow that up.

19 A. I was there in February attempting to obtain the money
20 because I had requested the redemption of the CDs. And I
21 understood that it should have been done within 72 hours.
22 And I had a CD that was coming due on the 19th or the 20th,
23 that I had the right to receive that money on that date.

24 And on the 20th when I was there, I spoke with Ms.
25 Sonia Davies who told me that the persons were named by

1 the authorities of Antigua to intervene in the bank, and
2 therefore she could not satisfy my request.

3 Q. Did you go anywhere else to try to collect your money
4 besides Antigua?

5 A. No. The money was in Antigua. It had been deposited
6 there at the bank there in Antigua.

7 Q. And why did you go to Antigua to visit the bank in
8 October of 2008?

9 A. I was performing some construction work for a company,
10 an English company in Grenada. And when the construction
11 crisis occurred, they couldn't pay me and I needed money.
12 And I went to Antigua, to Grenada, to request a loan of
13 \$250,000 that would be guaranteed by my CDs.

14 Q. And what entity provided you that loan?

15 A. Stanford International Bank in Antigua.

16 Q. And who did you meet with Antigua to obtain that loan?

17 A. I met with the president of Stanford International Bank,
18 Mr. Juan Rodriguez-Tolentino.

19 MR. DAVIS: Thank you, Your Honor. No more
20 questions.

21 MR. LITTLE: Nothing further, Your Honor.

22 THE COURT: Thank you, sir. You may step down.

23 THE WITNESS: Thank you very much.

24 MR. REDMOND: Your Honor, my name is Christopher
25 Redmond. I'm with Husch Blackwell and counsel of one of

1 the -- for the Joint Liquidators also. We would call to
2 the stand Ricardo Enrique Aguirre Rodriguez.

3 THE COURT: Could you raise your right hand,
4 please?

5 (The witness was sworn by the Court.)

6 RICARDO ENRIQUE AGUIRRE RODRIGUEZ, SWORN,

7 DIRECT EXAMINATION

8 By Mr. Redmond:

9 Q. Please state your name for the record.

10 A. Ricardo Aguirre Rodriguez.

11 MR. REDMOND: Your Honor, we would move to admit
12 his written evidence -- or written statement into evidence
13 and the exhibit that was tendered.

14 THE COURT: All right. Cross?

15 CROSS EXAMINATION

16 By Mr. Little:

17 Q. Good morning, Mr. Rodriguez.

18 A. Good morning.

19 Q. In your direct testimony, you talk about investments
20 that are made in these CDs by a company named Clapham
21 Luxembourg. Correct?

22 A. Yes.

23 Q. Did you personally invest any money in Stanford
24 International Bank CDs?

25 A. Yes.

1 Q. You did. How much?

2 A. Perhaps around \$300,000.

3 Q. And did you redeem those CDs or are you victimized as
4 well by this fraud?

5 A. The money is in the bank. I didn't take anything out.

6 Q. Okay. And through whom did you buy your CDs?

7 A. Through a financial advisor in the city of Monterrey,
8 Mexico.

9 Q. And what was his -- what was his or her name?

10 A. The financial advisor's name is Oscar Correa.

11 Q. And that's the same financial advisor that the Clapham
12 entity bought through. Correct?

13 A. Yes.

14 MR. LITTLE: Pass the witness, Your Honor.

15 REDIRECT EXAMINATION

16 By Mr. Redmond:

17 Q. Mr. Rodriguez, when the problems occurred with Stanford
18 International Bank, did you go to Antigua? Did you travel
19 to Antigua?

20 A. I traveled to Antigua in February of 2009.

21 MR. LITTLE: Your Honor, redirect is usually
22 limited to the scope of the cross. I don't recall asking
23 anything about this gentleman's travels to Antigua ever.

24 THE COURT: Response?

25 MR. REDMOND: That is correct, Your Honor. I mean,

1 the -- there was -- there was no -- the direct examination
2 was in regard to the acquisition of the -- of the CDs. I'll
3 limit my questions to that -- to that area, Your Honor.

4 THE COURT: Okay.

5 Q. (BY MR. REDMOND) When you purchased the CDs, did you
6 travel to Antigua?

7 A. I personally didn't, but people from my company did
8 prior to making the investment there.

9 Q. And why did they go to Antigua?

10 MR. LITTLE: Your Honor, now we're going to get
11 into hearsay when we're talking about why other people went
12 to Antigua to make purchases.

13 MR. REDMOND: Your Honor, this is a company that
14 Mr. Aguirre Rodriguez was involved in. So he can testify
15 what he directed individuals in his company to do. I am
16 just asking why -- why he did that.

17 MR. LITTLE: Your Honor, the direct addresses the
18 purchase of the CDs by this Clapham entity. I didn't ask
19 any questions about the purchase of CDs by the Clapham
20 entity. I don't understand why we have to go back through
21 the direct that's already in the record during redirect.

22 MR. REDMOND: I'm just -- I'm just trying to
23 clarify the background. There was questions about buying
24 through a financial advisor, and I was trying to clarify
25 the situation of how it actually occurred and -- and what

1 the background issues were for the Court's benefit.

2 THE COURT: Okay. I'm going to overrule the scope
3 objection. With regard to the activities in Antigua, if you
4 could just clarify that the witness has personal knowledge
5 and is not relying on what someone else told him.

6 Q. (BY MR. REDMOND) Mr. Aguirre Rodriguez, do you have
7 personal knowledge of the actions that took place in Antigua
8 at or about the time the CDs were purchased by Clapham?

9 A. Can you repeat the question?

10 Q. Yes. Do you have personal knowledge when the CDs were
11 being purchased of the activities that were occurring in
12 Antigua regarding the purchase of the CDs?

13 A. What I knew was that the Monterrey advisor was more
14 or less an intermediary of the bank in Antigua. And my
15 experience was all by mail, normal mail, and that after the
16 investment through Monterrey, I received mail directly from
17 Antigua. And 30 days later, I received the Certificate of
18 Deposit that came from Antigua.

19 Q. During this period of time in which the CDs were
20 being acquired, did you always view that the Stanford
21 International Bank was the entity that you were dealing
22 with in Antigua?

23 A. Yes. Aside from that, the advisor in Monterrey, Mr.
24 Correa, always advised us that the bank was in Antigua and
25 that all of its activities were governed by the Commission

1 in Antigua.

2 Q. And, Mr. Aguirre Rodriguez, did you believe that Stan-
3 ford International Bank during the time period you were
4 obtaining the CDs operated anywhere except in Antigua?

5 A. Well, I went to Panama to an office of the bank in
6 Panama and in Antigua. I just knew that.

7 Q. Okay. Did you believe that the principal operations
8 of the Stanford International Bank at the time you purchased
9 the CDs was in Antigua?

10 A. Certainly I thought it was all in Antigua. I thought
11 it was in Antigua.

12 MR. REDMOND: Thank you, Your Honor. We have no
13 other questions.

14 MR. LITTLE: Nothing further, Your Honor.

15 THE COURT: Thank you, sir. You may step down.

16 MR. WIELEBINSKI: Your Honor, I'd like to call
17 Marcus Wide to the stand.

18 THE COURT: Go ahead and have a seat, please, sir.
19 Could you raise your right hand, please?

20 (The witness was sworn by the Court.)

21 MARCUS ALLEN WIDE, SWORN,

22 DIRECT EXAMINATION

23 By Mr. Wielebinski:

24 Q. Mr. Wide, can you state your name for the record?

25 A. Marcus Allendor Wide.

1 Q. And, Mr. Wide --

2 MR. WIELEBINSKI: Well, with that, Your Honor,
3 I'd like to move to admit Mr. Wide's written statement as
4 well as the exhibits accompanying same.

5 THE COURT: All right. Cross?

6 MR. WIELEBINSKI: Your Honor, if I may--I'm sorry,
7 Mr. Sadler--one of the documents we had was a videotape. It
8 was in the form of computer information. Has the Court had
9 an opportunity to review that video?

10 THE COURT: No.

11 MR. WIELEBINSKI: Your Honor, with your
12 permission, we'd like to play that video now.

13 THE COURT: I'll review it later.

14 MR. WIELEBINSKI: Fair enough. Thank you, Your
15 Honor.

16 CROSS EXAMINATION

17 By Mr. Sadler:

18 Q. Mr. Wide, I have a notebook for you and some documents
19 I'm going to be asking you questions about.

20 MR. SADLER: I have given counsel copies, and I
21 have three for the Court.

22 (Documents proffered to the Court.)

23 MR. SADLER: May I proceed?

24 THE COURT: Please.

25 Q. (BY MR. SADLER) Mr. Wide, good morning.

1 A. Good morning.

2 Q. You agree, do you not, sir, that Stanford International
3 Bank operated a business model which was in fact a Ponzi
4 scheme? You agree with that, don't you?

5 A. No.

6 Q. You do not agree with that.

7 A. No.

8 Q. All right. If I could direct your attention to tab 1
9 in the notebook I have put in front of you. And tell me
10 when you have that first document. It's entitled Statement
11 of Claim, dated August 12, 2011 --

12 A. Yes, sir.

13 Q. -- under tab 1. And, sir, you recognize this as a
14 statement of claim that you filed very recently in litiga-
15 tion proceedings that you're pursuing in Antigua. Right,
16 sir?

17 A. That was filed on August the 11th --

18 Q. Right.

19 A. -- 2011, yes.

20 Q. And if we go to the very -- almost the last page of
21 that document, it's actually signed by you certifying it's
22 true.

23 A. Yes.

24 Q. All right. And if you will then turn to the second
25 page of that document under the heading, paragraph 5,

1 Background, do you not say in this statement that SIB
2 operated a business model which was a Ponzi scheme?

3 A. That was the statement then, yes.

4 Q. And that was your statement, certified as true, to the
5 Antiguan court.

6 A. That's right.

7 Q. All right. Now, you agree also, sir, that Stanford
8 International Bank really didn't do domestic business in
9 Antigua. Right?

10 A. As an offshore bank, it did not do business with
11 residents -- with, sorry, Antiguan citizens --

12 Q. Right.

13 A. -- to be precise, yes.

14 Q. It, for example, could not accept deposits from
15 Antiguan citizens. Right?

16 A. That's right.

17 Q. Could not make loans to Antiguan citizens. Right?

18 A. Without permission of government, yes.

19 Q. And it did not really operate as a traditional bank
20 in the sense of making loans to customers and that kind of
21 thing in Antigua.

22 A. It was not an Antiguan domestic bank, no.

23 Q. Right, sir. Didn't make loans to local businesses, for
24 example.

25 A. No.

1 Q. All right. And, in fact, sir, I think you have also,
2 since you've been appointed, you have been unable to find
3 any evidence of any genuine, underlying, profitable activity
4 that would support the bank's purported assets that it put
5 in its reports and balance sheets. Right, sir?

6 A. Yes, that's right.

7 Q. And, in fact, I think, since you have been appointed,
8 you have found in interviewing employees of the bank who are
9 still around, that financial transactions, money was moved
10 between accounts from the bank to other Stanford entities.
11 You found that to be the case. Right, sir?

12 A. Yes.

13 Q. Routine, I think you described them at one point?

14 A. Yes.

15 Q. And, in fact, sir, haven't you concluded that with
16 regard to Stanford International Bank's balance sheet, that
17 the accounts that they say made up that were basically made
18 up, were part of a charade? Isn't that how you've described
19 it?

20 A. The balances were fraudulently stated, yes.

21 Q. Right.

22 A. They were inaccurate.

23 Q. And, in fact, you have described SIB as a charade.
24 Right?

25 A. I don't remember using that word.

1 Q. Well, sir, turn to tab 2 in your notebook. Let me know
2 when you have that. And tab 2 is an affidavit of Marcus
3 Wide--that's you--and it's dated in July 2011. Right?

4 A. Uh-huh, yes.

5 Q. And you have seen this before and you signed it?

6 A. Sorry. Might I just have a look at it? Tab 2 is the
7 document I signed and swore on the 15th of day of July 2011,
8 yes.

9 Q. All right. And if we turn to page 18 of this affidavit
10 that you gave --

11 A. Yes.

12 Q. -- and in paragraph 22, don't you state that "I infer
13 that these accounts," meaning the accounts of Stanford
14 International Bank, "were made up and were part of the super-
15 structure to the SIB-based charade which RAS supervised."

16 A. Yep. I apparently did use the word "charade."

17 Q. And RAS is Robert Allen Stanford.

18 A. Yes.

19 Q. And, in fact, you have described in one of your
20 lawsuits down in Antigua that you've brought against
21 Mr. Stanford is he was the controlling mind of Stanford
22 International Bank. That's -- that's something you're
23 familiar with. Right?

24 A. That sounds right, yes.

25 Q. All right. And isn't -- you are probably familiar, I

1 take it, with statements by the government of Antigua where
2 they take the position that the business of Stanford Inter-
3 national Bank was run from Houston, Texas? Are you
4 familiar with government --

5 A. I -- I -- I don't know anything what the -- what the --
6 about what the government has said, no.

7 Q. You're not familiar with statements by the government
8 where the government of Antigua has said the business of
9 Stanford International Bank was run from Houston, Texas?

10 A. I may have seen some press clippings to that effect,
11 whatever they are.

12 Q. And turn to tab 4 of your notebook, sir. And this is
13 a statement from the government of Antigua and Barbuda in
14 March 2010 in about the fourth paragraph down --

15 A. Uh-huh.

16 Q. -- doesn't the statement say the business of Stanford
17 International Bank was run from Houston, Texas?

18 MR. WIELEBINSKI: Objection, Your Honor. This is
19 hearsay.

20 MR. SADLER: I asked the gentleman --

21 MR. WIELEBINSKI: Foundation, also.

22 MR. SADLER: I asked the gentleman if he was
23 familiar with the statement. He said he may have been. I'm
24 now showing him the statement. I have a follow-up question
25 which closes the loop.

1 THE WITNESS: Well, this is the first time I've
2 seen this.

3 Q. (BY MR. SADLER) All right. And my question to you,
4 sir, do you agree with the statement by the government
5 that Stanford International Bank's business was run from
6 Houston, Texas?

7 A. No.

8 MR. WIELEBINSKI: Same objection, Your Honor.

9 THE COURT: Overruled.

10 Q. (BY MR. SADLER) And if you turn to tab 5, sir, you see
11 another statement, this one by the prime minister, and I have
12 highlighted it for you there on the second page, where the
13 prime minister of Antigua and Barbuda --

14 THE COURT: I'm sorry.

15 MR. SADLER: Yes, sir.

16 THE COURT: I did not -- I thought I might have
17 heard an answer to the question of does he agree with the
18 statement in that piece of paper.

19 MR. SADLER: I believe the witness's answer was,
20 no, he does not agree.

21 THE WITNESS: It -- it was me. I'm sorry. It was
22 no, Your Honor.

23 THE COURT: Okay. Thank you.

24 THE WITNESS: Yes. Sorry.

25 THE COURT: I just wasn't quite clear if I heard

1 you correctly. Thank you.

2 Q. (BY MR. SADLER) So I take it, sir, that the prime
3 minister of Antigua's statement here, the business of
4 Stanford International Bank was run from Houston, you
5 disagree with that as well.

6 A. I do.

7 Q. Fair enough. Now, in your direct testimony, you talked
8 about the various contracts that Stanford International Bank
9 had with other Stanford entities. You discussed that in
10 your direct testimony?

11 A. Yes.

12 Q. And these were outsourcing contracts where certain
13 functions like treasury, marketing, advertising, things
14 like that, were outsourced by the bank to other Stanford
15 entities. Right?

16 A. Yes.

17 Q. And I assume you would agree that these contracts were
18 not arm's length, commercially reasonable contracts between
19 two parties of equal bargaining power. You don't think
20 those were the kinds of contracts they were, do you?

21 A. I don't know whether the term is "commercially
22 reasonable." They certainly weren't between arm's length
23 parties. They were certainly related parties, yes.

24 Q. Well, and weren't these contracts simply the paper to
25 cover over the money being transferred among the various

1 entities? You have figured that out. Right?

2 A. Yeah. I would agree they were a mechanism for charging
3 SIB fees and therefore removing money from the bank.

4 Q. And, in fact, you have looked, have you not, at the
5 records of how much Stanford International Bank was paying
6 its Antiguan employees versus how much it was paying in
7 these fees to other Stanford entities? You have seen those
8 figures. Right?

9 A. Yes.

10 Q. And -- and you know, sir, don't you, that the amount
11 of money that Stanford International Bank was paying its
12 employees was a tiny fraction of the millions and millions
13 it was paying to these other Stanford entities. Right?

14 A. Yes.

15 Q. Now, you also talked briefly in your direct testimony
16 that there were FSRC audits of Stanford International Bank.

17 A. Yes.

18 Q. All right. And -- and have you looked at, for example,
19 the audit -- excuse me, have you looked, for example, at
20 the report, quarterly report, that Stanford International
21 Bank submitted in September 2008, submitted to the FSRC?

22 A. Yes, I have.

23 Q. And, in fact, that's attached as an exhibit to the
24 direct testimony of Mr. Omari Osbourne. Right?

25 A. Probably.

1 Q. And Mr. Osbourne was the finance manager of the bank.

2 A. He was the chief accountant at that time, yes.

3 Q. All right. And -- and you know from -- from your --

4 A. I'm sorry. 2008? I can't remember whether he was
5 specifically the chief accountant at that time or whether
6 Mr. Persaud was.

7 Q. Okay.

8 A. I'm sorry.

9 Q. But you know Mr. Osbourne submitted that statement to
10 the FSRC.

11 A. Yeah. It was attached to his evidence, yes.

12 Q. Okay. And in your -- based on your experience as -- as
13 someone who has dealt with bank frauds and bank collapses,
14 in looking at that report to the FSRC, wasn't it obvious
15 to you, sir, that the information in there was suspicious,
16 raised red flags, the kind of information that was being
17 reported?

18 A. On its face, no.

19 Q. Really?

20 A. No. I think on its face, no.

21 Q. So, for example, if the FSRC report from September 2008
22 of Stanford International Bank was telling FSRC that part of
23 its assets were \$487 million in gold, that -- that wouldn't
24 raise a question in your mind?

25 A. It -- it -- it might raise an audit question, but on

1 it's face there's nothing wrong with it. I mean, I'm -- I'm
2 speaking without the information in front of me. Can I have
3 a look at it, please?

4 Q. Your lawyer can show you it on redirect. I'm just
5 asking you -- you've said you've seen it, so I'm asking you
6 questions about it.

7 A. Well, I've seen it, but I don't have any recollection
8 of it, Mr. Sadler.

9 Q. All right. And so my question --

10 A. I meant that's a problem.

11 Q. My question is, if that report told the FSRC that Stan-
12 ford International Bank had among its assets \$487 million in
13 gold, would that be something in your experience would raise
14 a question, raise suspicion?

15 A. It would raise a question in my mind, yes. Certainly
16 something to verify along with all the other balance sheet
17 items.

18 Q. All right. And if it said that -- if Stanford Inter-
19 national Bank was telling the FSRC it had \$106 million in
20 silver as assets, would that raise a question?

21 A. It might. On the other hand, Mr. Sadler, I have had
22 banks that have had gold bullion as part of their assets.
23 So, I mean, they do exist.

24 Q. And -- and you may have to kind of go with me on this,
25 but if -- if gold was going for a thousand dollars an ounce

1 in September of 2008, do you know how much physical gold
2 \$487 million translates to?

3 A. I -- I have no idea, Mr. Sadler.

4 Q. If I told you it was also 17-and-a-half metric tons,
5 would that sound about right?

6 A. I have no idea.

7 Q. And if I told you that \$106 million in silver
8 translated to almost 268 metric tons, would that sound
9 about right to you?

10 A. I have no idea, Mr. Sadler. You're asking questions
11 I can't answer. I have no idea what a pound of gold looks
12 like or a ton of silver.

13 Q. All right. And you've been down to the Stanford
14 International Bank. Right, sir? The building.

15 A. Yes.

16 Q. And that building was not owned by the bank. Right?
17 It was owned by another Stanford entity?

18 A. It was owned by another Stanford entity, yes.

19 Q. Did you notice any physical storage facilities that
20 you think would hold as much as 17 metric tons of gold and
21 268 metric tons of silver? Did you see any such facility?

22 A. No.

23 Q. Is it your view that these audits that you talked
24 about in your direct testimony, these audits by the FSRC,
25 is it your view that they were merely incompetent or they

1 were corrupt?

2 A. I -- I have no way of judging what the FSRC did or
3 what its motives were.

4 Q. Do you think they did a good job auditing the bank?

5 A. I would say no.

6 Q. All right. Now, from the beginning when Vantis took
7 over back in 2009, from that point forward, the Antiguan
8 liquidation has always been in a position where it had
9 very little cash. Isn't that right?

10 A. That's right.

11 Q. And that was the situation you found it when you
12 finally were appointed in 2011.

13 A. That's right.

14 Q. And so your first order of business, I assume, was to
15 find cash, wasn't it?

16 A. To find funding for the Estate, yes.

17 Q. And I think you probably fairly quickly became aware
18 that there were two sources of available cash. One were
19 these frozen funds overseas that the DOJ requested to
20 be held in the UK, Switzerland, and Canada. You quickly
21 became aware of those funds. Right?

22 A. Yes.

23 Q. And you became aware that the U.S. Receiver also had
24 cash. Right?

25 A. Yes. But there were other sources of funding as well.

1 Q. Right. I think at one --

2 A. We -- we had -- we had negotiated a commercial loan for
3 funding the Estate.

4 Q. You were considering getting a loan from a hedge fund.

5 A. That we -- we had negotiated the terms of one, yes.

6 Q. And -- and the idea was they would loan you money in
7 return for a percentage of whatever you recovered.

8 A. Exactly right.

9 Q. Okay. But you ended up getting cash from a different
10 source. Right?

11 A. Yes.

12 Q. You went to the UK and, over the objection of the
13 DOJ and the Serious Fraud Office, you obtained access to
14 \$20 million from the funds already frozen in the UK.

15 A. Yes.

16 Q. Okay. And that \$20 million, that was not -- you didn't
17 get that in order to distribute it to investors. Right?

18 A. No.

19 Q. You got it to fund your operation.

20 A. Yes.

21 Q. And I think you said -- you hosted a webinar recently
22 for investors. Right?

23 A. Yes.

24 Q. And I think you -- you told the investors at this
25 webinar that, since getting this funding in August of 2011,

1 you've already drawn down 10 million.

2 A. Yes.

3 Q. Okay. And so perhaps you're thinking that, at your
4 current burn rate, you might be out of cash again sometime
5 in the spring?

6 A. No.

7 Q. There are other sources of cash that you're currently
8 pursuing.

9 A. No. I think our burn rate is declining rapidly. We
10 did a bunch of work up front as we had to in order to get
11 control of the Estate, and that was a fairly high burn rate.
12 We are now past that stage now, and I expect the burn rate
13 will be dramatically less.

14 Q. Okay. Another thing you talked about in this -- in
15 this webinar is the idea that as -- as you looked at the
16 world, there was about \$500 million in cash between what Mr.
17 Janvey had and what was frozen overseas in rough figures.

18 A. Yes.

19 Q. And -- and you also talked about the idea that, again,
20 it would probably vary, but probably somewhere in the range
21 of 4-and-a-half to \$5 billion of net dollars actually put in
22 the bank.

23 A. Yes.

24 Q. And so I think you equated that to roughly about if --
25 if that 500 million could be just sort of instantly gathered

1 together and distributed pro rata, it's about 11 cents on
2 the dollar. About that. Right?

3 A. Yeah. I -- I think by the time the claims end, it will
4 be more somewhere between 8 and 12 is what I'm suggesting,
5 yeah.

6 Q. Okay. It's in that range.

7 A. In that range certainly.

8 Q. And -- and you talked about that in the webinar that
9 you hosted for the investors.

10 A. Yes.

11 Q. Okay. And I think one of the things you pointed out to
12 the investors is that there might be an alternative to this
13 distributing the 500 million that might generate 11 cents on
14 the dollar, that you could -- you could hold back about two
15 cents on the dollar and use that to fund litigation.

16 A. Yes.

17 Q. And -- and if we're doing the math right, if -- if --
18 if 500 million, 11 cents on the dollar, if we peel off
19 two cents on the dollar, that's about \$100 million for
20 litigation?

21 A. As a reserve against litigation costs, yeah.

22 Q. Okay.

23 A. That is not going to be spent on litigation, I wouldn't
24 expect. But that was the fund I think we need to have if
25 you're going to take on significant targets. People who

1 have deep pockets, you need to have reserves so that you
2 can face them down and not run out of cash while you're
3 litigating, which is the worst outcome.

4 Q. Absolutely.

5 A. Yes.

6 Q. So you were talking about \$100 million fund for this
7 litigation you have just described.

8 A. That's right.

9 Q. All right. But currently you don't control that \$500
10 million that you were talking about. Right?

11 A. No.

12 Q. Part of that is under the control of Mr. Janvey and
13 part of that is under the control of the various criminal
14 authorities in those jurisdictions. Right?

15 A. Yes.

16 Q. Okay. But I assume that, if you need to, you will go
17 back to the UK and try to get more money if you need it.
18 Right?

19 A. There are a number of things we might do to try and
20 get more money, if we need it.

21 Q. But that's certainly one of them, isn't it?

22 A. That -- that is certainly a possibility, yeah.

23 Q. Okay. And the other thing you might do is press
24 forward in Canada and try to get control of the money
25 that's up in Canada. Right?

1 A. That's one --

2 MR. WIELEBINSKI: Objection, Your Honor. Calls
3 for speculation.

4 THE COURT: Overruled.

5 Q. (BY MR. SADLER) Because you know there's about 20
6 million or so dollars that are frozen up in Canada. Right?

7 A. That's another possible source, certainly.

8 Q. All right. And -- and you don't control that, but
9 you'd like to take control of that, wouldn't you?

10 A. Not necessarily for that motive, but certainly, yes.

11 Q. Okay. And, in fact, you are currently -- you have
12 lawyers in Canada pursuing an appeal, an appeal of the
13 order that recognized Mr. Janvey. Right?

14 A. Yes.

15 Q. Okay. And pursuing that appeal is currently part of
16 your operation. Right?

17 A. Yes.

18 Q. And pursuing this Chapter 15 business that we're here
19 about today, that's also part of your operation.

20 A. It is.

21 Q. And so the \$20 million that you got from the UK, part
22 of that money goes to fund this -- this operation that we're
23 here about today.

24 A. It does, yes.

25 Q. Okay. Now, you know, do you not, that there came a

1 time in 2010 that the Receiver and Vantis reached an agree-
2 ment concerning this Chapter 15 fight? You're aware of
3 that.

4 A. Yes.

5 Q. And -- and you're aware that part of that agreement was
6 that Vantis would give up its appeal in Canada and just let
7 Mr. Janvey go about doing his business with the Canadian
8 Receivership. Right?

9 A. Yes.

10 Q. But you see it in your interest to try to overturn that
11 order. Right?

12 A. I see it in the Estate's interest, the creditors'
13 interest, not -- not my interest, no.

14 Q. And you say it's in the creditors' interest for you to
15 get control of the money in Canada.

16 A. No, that's not the only reason for proceeding in
17 Canada.

18 Q. And this idea of getting control of money before other
19 authorities can get control of it, that's really something
20 that goes back to the very beginning of the efforts to get
21 you appointed, wasn't it?

22 A. I'm sorry. I don't know what you mean by that.

23 Q. Okay. Well, let's talk about that. You know the
24 gentleman whose name has already been mentioned, Mr. Alex
25 Fundora. You know him.

1 A. Yes.

2 Q. You have met him on a number of occasions, I assume?

3 A. I have met him twice, I think.

4 Q. Okay. Talked to him.

5 A. Sorry, yes. He's a member of our creditors' committee,
6 so I have spoken to him on our creditors' committee several
7 times. But meeting him personally, I think twice.

8 Q. Okay. And -- and going back to 2009, you know, Mr.
9 Fundora, after the SEC filed the lawsuit, the Receivership
10 order was put in place in the United States, Mr. Fundora --
11 well, let me -- let me back up.

12 Mr. Fundora lives in Miami. Right?

13 A. So I understand, yes.

14 Q. Yeah. And Mr. Fundora has been represented by Mr.
15 Davis' law firm, the same law firm that represents you.

16 A. Yes.

17 Q. And Mr. Fundora has been represented by Mr. Martin
18 Kenney's firm, the law firm that also represents you.

19 A. I believe that's right, yes.

20 Q. Okay. So back to Mr. Fundora. So Mr. Fundora, who's
21 in Miami in 2009, he files papers in Antigua to nominate
22 you to be the liquidator of the bank.

23 A. Yes.

24 Q. And I assume you talked to him before he did that.

25 Right?

1 A. Briefly, yes.

2 Q. Okay. And so you agreed with him. He wanted to get a
3 liquidator appointed and you agreed to serve.

4 A. Yes.

5 Q. Okay. And you became familiar, I assume, in that
6 time frame with the papers he was filing trying to get you
7 appointed.

8 A. Yes.

9 Q. Okay. And -- and you know in those papers, Mr. Fundora
10 acknowledged that there was already a receivership order in
11 place in the United States.

12 A. Yes.

13 Q. And you know also that Mr. Fundora was pointing out
14 in his papers that an Antiguan liquidator needed to come in
15 and compete with the U.S. Receiver for control of assets.

16 A. I -- I -- I don't know whether it was framed as compete
17 with or not. I -- I don't have it in front of me. I'm
18 afraid you're asking me to speculate on something I don't
19 see.

20 Q. Okay. Turn to tab 10-B in your book. And tab 10-B is
21 a pleading filed April 2009 by Mr. Fundora. It's his brief
22 to try to get you appointed. I assume you saw this in that
23 time frame, didn't you?

24 A. Yes.

25 Q. Okay. And -- and, in fact, if -- if you look, first

1 let's turn to -- and it's probably page 13 of the document,
2 and the page numbers are at the top. Tell me when you have
3 page 13 of the document.

4 And you see there's a section, is there not, on page 13
5 that talks about your credentials? So he's talking about --

6 A. Yeah.

7 Q. -- laying out the case for you. Right?

8 A. Yes.

9 Q. Okay. So this is talking about getting you appointed.
10 And then if I could have you turn back to page 3 of the
11 document for me, you see, don't you, that in paragraph 15
12 on page 3, Mr. Fundora acknowledges there's already a
13 receivership order in place in the United States? Right,
14 sir?

15 A. That's what it says, yes.

16 Q. Okay. But he's trying -- through this document and
17 other filings, he's trying to get you appointed. And so
18 let's go back to page 13 where you were a few moments ago
19 where it's talking about your credentials, and I want to
20 direct your attention to paragraph 66.

21 A. Yes.

22 Q. Do you have that? So in paragraph 66 he's talking
23 about your credentials to serve, and one of the things he
24 says is you have significant experience in U.S. Bankruptcy
25 Code, Chapter 15.

1 A. Yes.

2 Q. And I take it he got that information from you. Right?

3 A. He would have read my resume, yes.

4 Q. Okay. And you see there, he's talking at the bottom
5 about he's wanting to get you to have U.S. foreign recogni-
6 tion because that includes competing for assets being wrong-
7 fully claimed by an SEC Receiver in another case. Do you
8 see that?

9 A. His words, I guess, yes. Not mine.

10 Q. And he's talking about Mr. Janvey, isn't he?

11 A. I presume he's talking about Mr. Janvey. These are his
12 words, not mine.

13 Q. Okay. But these were arguments he was making to try to
14 get you appointed to serve as you had agreed to do. Right?

15 A. That's what it says, yes.

16 Q. Okay. Now, at this stage, however, Mr. Fundora was
17 unsuccessful in getting you appointed, was he not? Someone
18 else got appointed.

19 A. Someone else was appointed, yes.

20 Q. Vantis got appointed.

21 A. Yes.

22 Q. And there was actually a decision by the Court down
23 there that rejected not only Mr. Fundora's application but
24 rejected the effort of Mr. Janvey to try to get recognized.
25 You're aware of that.

1 A. I'm aware of that, yes.

2 Q. And you're aware Mr. Fundora, of course, because he was
3 trying to get you recognized, he opposed Mr. Janvey being
4 recognized.

5 A. Yes.

6 Q. Okay. So let's look if you can then at 10-C. I want
7 to ask you a couple of questions about the court's order.

8 Now, if you'd look at paragraph 41 of this order, and
9 I'm sure you have seen it before --

10 A. Just -- just a second, please.

11 Q. Yes, sir.

12 A. Let me see what it is. (Reviews document) Okay.

13 Q. Now, you see there the court rules that the U.S.
14 Receiver's interest in these proceedings is based on an un-
15 enforceable order. That's what the court ruled down there.

16 A. I'm sorry. Where are you?

17 Q. Paragraph 41, sir, on page 10. Right? You understood
18 that when you -- in that time frame the court had ruled
19 that Mr. Janvey was trying to get recognized based on what
20 the Antiguan court said was an unenforceable order. You
21 understood that?

22 A. Well, I -- I don't know whether I understood it. I
23 mean, I probably read it. I was not appointed so I didn't
24 really care one way or the other, to be honest.

25 Q. Okay. And then if you -- if you turn over, it's really

1 at the top of page 11, the court notes that Antigua has not
2 enacted the U-N-C-I-T-R-A-L, UNCITRAL, model rules. You
3 see that?

4 A. Yes.

5 Q. Now, you're an experienced insolvency practitioner in
6 the Caribbean. Right?

7 A. Yes.

8 Q. Is this correct? Does Antigua follow the UNCITRAL
9 model rules?

10 A. Not on my understanding, no.

11 Q. Okay. And you see there in paragraph 42, the judge
12 says that he doesn't believe that the U.S. proceedings are
13 fundamentally about preserving creditor interests. Do you
14 see that in paragraph 42?

15 A. That's what it says.

16 Q. Is that your view, too, sir? Do you think that this
17 Receivership is not about preserving creditor interests?

18 A. No.

19 Q. So you would disagree with the court's finding.

20 A. I would say the Receivership is intended to preserve
21 assets, yeah.

22 Q. Sure. And we see there at the end that the Antiguan
23 court says that Mr. Janvey has no legal entitlement to
24 standing. Right, sir?

25 A. I'm sorry.

1 Q. In paragraph 43.

2 A. 43. That's what it says.

3 Q. All right. But this didn't end it. There came a time
4 later in 2009 when Mr. Fundora renewed his effort to get
5 you appointed, didn't he?

6 A. Yes.

7 Q. And that was in November of 2009. If you want to look
8 on tab 10-D, Mr. Fundora filed a petition not just to get
9 you appointed but to remove Vantis. Right?

10 A. Yes.

11 Q. And not just to remove Vantis, but specifically to
12 appoint you.

13 A. Yes.

14 Q. Okay. And, again, Mr. Fundora I'm sure consulted with
15 you before he renominated you, didn't he?

16 A. He certainly had my consent to act.

17 Q. Sure. Okay. And so you were aware that he was making
18 this effort to get you appointed, were you not?

19 A. Yes.

20 Q. All right. Now, Mr. Fundora again filed a number
21 of papers making arguments about why Vantis needed to be
22 removed and why you needed to be appointed, and I need to
23 ask you about that.

24 Now, first of all, do you know a Mr. Robert -- Andrew
25 Robert Gilliland? Do you know who he is?

1 A. Yes.

2 Q. Okay. He works for Martin Kenney.

3 A. Yes.

4 Q. He's a lawyer.

5 A. Yes.

6 Q. And Mr. Martin Kenney represents you.

7 A. Yes.

8 Q. Okay. And represented Mr. Fundora.

9 A. Yes.

10 Q. Okay. So there are some things that Mr. Gilliland, on
11 behalf of Mr. Fundora trying to get you appointed, said to
12 the Antiguan court in December of 2009 I need to ask you
13 about.

14 Now, first of all, Mr. Gilliland's affidavit, which is
15 at 10-E in front of you -- have you -- surely you have seen
16 that before, haven't you?

17 A. I'm sorry?

18 Q. Mr. Gilliland's affidavit, you have seen this before,
19 haven't you?

20 A. I'm sure I have.

21 Q. Okay. Now, I want to direct your attention to para-
22 graph 19 of this affidavit. Oh, and by the way, Mr.
23 Gilliland still works for Martin Kenney, doesn't he?

24 A. I believe so.

25 Q. Okay. Now, in paragraph 19, Mr. Gilliland, on behalf

1 of Mr. Fundora who is trying to get you appointed, says
2 that "unless the Joint Liquidators are removed quickly,
3 this will mean that assets which would otherwise come into
4 the Antiguan Estate will continue to be lost, alongside
5 the \$20 million likely to be lost from the Canadian
6 jurisdiction." Do you see that?

7 A. Yes.

8 Q. Is the 20 million he's talking about the funds that
9 are frozen up in Canada?

10 A. I don't know what was in his mind.

11 Q. Well, do you know of another \$20 million --

12 A. No.

13 Q. Okay, sir. And -- and is -- is he expressing a view
14 that you agree with, that is, that unless Vantis were
15 removed quickly, that other authorities, including this
16 Receiver, would take control of assets that otherwise
17 would come to Antigua?

18 A. I'm sorry. Can you point that out to me again? My
19 brain hopped somewhere else for a moment.

20 Q. Yes, sir. Is he expressing a view that you agree with,
21 that if other authorities like Mr. Janvey or the Department
22 of Justice take control of assets, you will not be able to
23 get those down to Antigua?

24 A. That would be true.

25 Q. And then if we look on paragraph 22, which is just on

1 the other page, there's a paragraph that starts, Competition
2 from the U.S. Receiver. Do you see that?

3 A. Yes.

4 Q. And he's commenting about there is fierce competition
5 from the U.S. Receiver who has taken a speedy approach to
6 recovering assets. You see that?

7 A. Yes.

8 Q. Now, right below that I need to ask you about that. He
9 says once those assets have been taken into the jurisdiction
10 of the U.S. court, they will be extremely difficult to
11 regain. Do you see that?

12 A. Yes.

13 Q. And regain means bring them to Antigua under the
14 control of the Antiguan proceeding. Right?

15 A. I would assume that is what was meant, yeah.

16 Q. Okay.

17 A. I mean, I don't know.

18 Q. All right. And you understood that Mr. Fundora was
19 pursuing the removal of Vantis in December of 2009 on an
20 urgent basis.

21 A. Yes.

22 Q. And you knew that the urgency was that there was going
23 to be a hearing in this Court to decide the Chapter 15
24 petition that Vantis had filed. Right?

25 A. I don't know whether I knew that at the time or not.

1 Q. You didn't know that Mr. Fundora was trying to get
2 the application to remove Vantis and appoint you heard and
3 decided before the Chapter 15 hearing?

4 A. I --

5 MR. WIELEBINSKI: Objection, Your Honor. He's
6 getting close to badgering. He's already answered the
7 question. He didn't know.

8 THE COURT: Sustained.

9 Q. (BY MR. SADLER) Well, then let me ask you about this
10 because paragraph 26 describes this. So paragraph 26--do
11 you have it in front of you--talks about a major hearing to
12 take place. Right? You see that?

13 A. Yes.

14 Q. Okay. And so in this time frame, you knew that a
15 Chapter 15 hearing was going to take place in the United
16 States. Did you know that?

17 A. I -- I don't know that I did know, Mr. Sadler.
18 Although I provided consent to act, in all honesty, I did
19 not follow the proceedings particularly closely except to
20 find out when I could expect an appointment if it were to
21 come.

22 Q. Well, you knew you would never be appointed until
23 Vantis was removed. Right?

24 A. Yes.

25 Q. Okay. And you knew Mr. Fundora was trying to get

1 Vantis removed.

2 A. Yes, I knew that.

3 Q. All right. And -- and this affidavit goes on to say
4 basically if the Antiguan Estate is recognized as the COMI,
5 then the battle is over, y'all win. That's the point of
6 view Mr. Gilliland is putting forth, isn't he?

7 A. Just let me read it.

8 Q. Sure.

9 A. (Reviews document) That's what it says.

10 Q. All right, sir. And -- and that was important because,
11 as he says, the value represented by all assets of SIB will
12 ultimately need to be moved to Antigua and all claims of
13 creditors of SIB will need to be filed in Antigua. That's
14 what he said and you agree with that, don't you?

15 A. The Liquidators' job is to gather any assets of
16 the bank and bring them to Antigua for distribution to
17 creditors. I agree with that, yes.

18 Q. Okay. And that's what he's saying here --

19 A. Yes.

20 Q. -- is the value of all the assets of SIB needs to come
21 to Antigua.

22 A. Yes.

23 Q. And your understanding, based on your appointment
24 order, is that everything related to Stanford International
25 Bank, all of its assets, all the money that ever went into

1 any account, all claims, all -- everything related to the
2 bank, belongs to you as the representative. Right?

3 A. All the assets of the bank are part of the Antiguan
4 Estate, I say yes --

5 Q. Okay.

6 A. -- as that's the appointment I -- I ultimately got,
7 yes.

8 Q. And so would you agree, sir, that the whole point of
9 getting you in place instead of Vantis was for you to be
10 in a better position to fight the Chapter 15 fight and win
11 it to accomplish what Mr. Gilliland is talking about?

12 A. I -- I -- I can't answer that because I -- I wasn't
13 involved in the proceeding at the time.

14 Q. Okay. So you know there came a time that Vantis was
15 ordered removed. Right?

16 A. Yes.

17 Q. And that was in June -- about June of 2010, wasn't it?

18 A. I thought it was -- I thought the hearing was in March
19 and the decision was in October, as I recall, the 5th of
20 October or something like that? Is that right? I -- I --
21 I don't have the paper in front of me.

22 Q. Well, let's -- let's go with June. And if -- if I'm
23 wrong, I know there are a bunch of lawyers behind me who
24 are going to correct me. But isn't it true, sir, that from
25 June, if that's the right date, of 2010 --

1 A. Well, why don't we look it up, because the order is
2 around somewhere, isn't it, and the decision?

3 Q. Okay. Well --

4 A. So why don't we just get the date right. Then we're
5 both not speculating.

6 Q. Well, how about focus on my question first.

7 A. Well, how about we get the date right.

8 Q. How about from the time period that Vantis was removed,
9 whenever that was --

10 A. Yes.

11 Q. -- to the time you were appointed, whenever that was --

12 A. Yes.

13 Q. -- the Antigua proceeding was basically at a stop,
14 wasn't it?

15 A. That's true, yes.

16 Q. I think your lawyers have used the term "mothballed" in
17 some of their pleadings. Is that a fair description?

18 A. That's what we found out subsequently, yes.

19 Q. Okay. Nothing going on of any substance. Right?

20 A. That's right.

21 Q. Until you came on.

22 A. Yes.

23 Q. Now, you're asking this Court to make you the main
24 representative of the bank. And is it true that one of the
25 reasons you think you should be placed in charge of the bank

1 is you're worried about claims related to Allen Stanford
2 and other Stanford entities diluting the claims of CD
3 depositors? Is that one of your concerns?

4 MR. WIELEBINSKI: Objection, Your Honor. I think
5 the question mischaracterizes Mr. Wide's direct testimony.
6 He never said that he was going to be recognized. It was
7 the proceeding itself.

8 THE COURT: Overruled.

9 Q. (BY MR. SADLER) I'll ask it again.

10 A. Please.

11 Q. Sure. I'm just wanting to understand your position
12 since you're asking this Court for recognition.

13 Is it your view that one of the reasons you needed to
14 be recognized as the representative of the bank and to take
15 control of the bank and its assets is because you were
16 concerned that if it's left with Mr. Janvey and all the
17 other Stanford entities, that a claim by, say, the Internal
18 Revenue Service might dilute the claims of CD investors?

19 A. I am concerned that the assets of SIB not be used to
20 pay liabilities of other entities that are not SIB. I
21 don't know that Chapter 15 turns on that or not.

22 Q. Well, that's right, sir. So I wanted to ask you about
23 this idea of you taking control of the bank. If the IRS has
24 a claim, you taking control of the bank really doesn't have
25 anything to do with that, does it?

1 A. If the IRS have a claim against the bank, then they
2 could file the claim in the Antiguan proceedings, certainly.

3 Q. Sure. And, in fact, under your waterfall in Antigua,
4 switching gears just a little bit, claims by the govern-
5 ment of Antigua are recognized under the waterfall of
6 distribution. Right?

7 A. Yes.

8 Q. And they have a higher priority than claims by CD
9 investors, don't they?

10 A. That's right.

11 Q. And if the government -- I understand they haven't done
12 it yet, but the government of Antigua could file claims. If
13 they think the country has been damaged by Stanford, if they
14 think he owes back taxes or whatever, they could file claims,
15 and if those claims were approved, they would have a higher
16 priority than CD investors under your waterfall.

17 A. With the ifs you put in there, yes.

18 Q. Sure. And -- and you are not able to say now whether
19 the government of Antigua will either never file a claim or
20 file claim for hundreds of millions of dollars. You just
21 don't know, do you?

22 A. We've had discussions with the government of Antigua
23 on a number of things. They have never raised that
24 possibility, but they could.

25 Q. Sure. All right. I need to finally turn --

1 MR. SADLER: Is this a good time for a break,
2 Your Honor?

3 THE COURT: That's what I was going to inquire.

4 MR. SADLER: Yes. This would be a good time for
5 a break for me as well.

6 THE COURT: How much longer do you think you have?

7 MR. SADLER: I think probably about 20 or 25
8 minutes.

9 THE COURT: Okay. Let's break for 15 minutes
10 which will have us back at 10 till 11:00 by the big clock
11 on the wall.

12 MR. SADLER: 10 till 11:00, Your Honor?

13 THE COURT: 10 till 11:00.

14 MR. SADLER: Thank you.

15 (Brief recess taken.)

16 THE COURT: Be seated. Receiver may proceed.

17 MR. SADLER: Thank you, Your Honor.

18 Q. (BY MR. SADLER) Mr. Wide, I now want to turn to this --
19 I think you and I may need to both do the same thing, get
20 the microphones a little closer to us so the court reporter
21 can hear us.

22 I want to now turn to this protocol that your lawyer
23 spoke about this morning.

24 Now, first, we talked about the fact that in 2010,
25 there was an agreement reached between the Receiver and

1 Vantis, but I take it it's your position that you -- you
2 are not interested in that agreement, you totally reject
3 that agreement. Do I understand you right?

4 A. I think we can do better for the creditors, yes.

5 Q. Okay. So you reject that agreement.

6 A. Yes.

7 Q. All right. Now, then the things that were agreed to
8 there--for example, the Receiver would not interfere in
9 jurisdictions where Vantis was recognized, Vantis would
10 not interfere in jurisdictions where the Receiver is
11 recognized--you reject that agreement.

12 A. Well, the agreement in its entirety is not one that
13 I would want to enter into -- the Joint Liquidators don't
14 want to enter into, yes.

15 Q. And one of the things that that agreement did not
16 accomplish, it didn't transfer control of any funds or
17 assets directly to Vantis. Right?

18 A. No.

19 Q. Now, let's talk about the protocol that was attached to
20 the recent brief that your lawyers filed. And I'm going to
21 hand you this notebook because it's my notebook of pleadings
22 so that you have a copy of it and keep that out because I'm
23 going to ask you about it. Keep both those notebooks out.

24 So I'm sure you're familiar, sir, that your lawyers
25 filed a brief on the 14th of December and attached to it a

1 copy of a protocol that was proposed to the Receiver and --
2 and others back in September. You know what I'm talking
3 about.

4 A. Yes.

5 Q. All right. And this protocol was originally trans-
6 mitted to the Receiver and others via letter from your
7 lawyer. Right?

8 A. Yes.

9 Q. And -- and I'm sure in that same time frame you got a
10 copy from your lawyer that showed that they had sent it.
11 Right, sir?

12 A. I'm sure that's right, yes.

13 Q. Sure. And so if you would turn, if you would, to tab
14 14, not of the pleading notebook but your other notebook,
15 tab 14, and tell me when you have it.

16 A. Yes.

17 Q. All right. And -- and sir, I know this -- this is a
18 lengthy document, but you recognize this as, first, the
19 cover e-mail from your lawyer to me, Mr. Little, Mr.
20 Morgenstern, and others, and it's transmitting a cover
21 letter and it's transmitting the draft protocol. Right?

22 A. Yes.

23 Q. And this was on or about 30 September of this year.

24 A. That's what it says, yes.

25 Q. Okay. And you notice in -- and Mr. Davis is the one

1 that transmitted it. Right?

2 A. Yes.

3 Q. And -- and he's your lawyer?

4 A. Yes.

5 Q. And you'll note Mr. Davis says on the cover e-mail,
6 he's got the words "privileged settlement communication."

7 Do you see that?

8 A. I see that.

9 Q. And if you turn over to the protocol itself, it's got
10 words in bold, all caps, at the top, Settlement Negotiation
11 Draft Pursuant to FRE 408. Do you see that?

12 A. I'm sorry. Where have you got to? When I changed --

13 Q. It's -- you go from the e-mail to the cover letter --

14 A. Page 14, there's a letter from Mr. Davis or letter from
15 Astigarraga Davis.

16 Q. And then right behind that is the protocol.

17 A. Okay. Yeah.

18 Q. Okay. And so this is the protocol that was transmitted
19 to us, and you see it has on the top Settlement Negotiation
20 Draft Pursuant to FRE 408. You see those words?

21 A. Just hang on a second. Let me just look at the total
22 document, if you don't mind. Okay.

23 Q. Do you have the document now?

24 A. Yes.

25 Q. And does it say at the top, Settlement Negotiation

1 Draft Pursuant to FRE 408?

2 A. Yes.

3 Q. Do you know what FRE 408 is?

4 A. No.

5 Q. You don't have any awareness of the evidentiary
6 privilege for settlement communications not supposed to
7 be talked about in court?

8 A. No.

9 Q. Okay. But you authorized your lawyer to make this
10 transmittal to us, did you not?

11 A. Yes.

12 Q. Okay. And so if we look now at the copy of the proto-
13 col that was attached to the court document which is in that
14 notebook to your left -- you have the protocol there? Just
15 grab that red tab. That's where it is.

16 A. Uh-huh.

17 Q. Do you have the protocol in front of you?

18 A. Yes.

19 Q. Now, this is the same protocol, but it's -- it's
20 different on the first page, isn't it? You see the
21 difference?

22 A. Yes.

23 Q. And the difference is somebody has taken off the one
24 that was filed, Settlement Negotiation Draft Pursuant to
25 FRE 408, somebody has removed those words. Right?

1 A. Well, it's not there.

2 Q. Right. Do you know who removed them?

3 A. I know it's not there. I have no idea how that came
4 about.

5 Q. Did you authorize anyone to remove them?

6 A. Not that I'm aware of, no.

7 Q. Okay. All right. Nevertheless, it's -- it's now out
8 in the open, so let's talk about it.

9 Now, this is your proposal to the Receiver, Investor
10 Committee, and Examiner for a cooperation protocol.

11 A. Yes.

12 Q. Right? It expresses your idea of a cooperation,
13 doesn't it?

14 A. Yes. It was our offer, yes.

15 Q. Sure. And -- and I want to ask you about a few things
16 in it. So, first of all, if we turn to paragraph 1.4, one
17 of the things that you wanted the Receiver to agree to and
18 to acknowledge is that the JLs' powers currently extend over
19 the assets and affairs of SIB. Do you see that in paragraph
20 1.4?

21 A. Yes.

22 Q. Do you see that, sir?

23 A. Yes.

24 Q. Okay. But, of course, that's not true in the United
25 States and Canada. Right now your powers don't extend over

1 the assets and affairs of SIB in those two countries, do
2 they?

3 A. In that we are not recognized, no.

4 Q. Okay.

5 A. Well, the limited recognition in Canada. Let's be
6 clear about that.

7 Q. Okay. Well, let's -- actually let's do be clear about
8 that, this whole Canadian thing. So you recall that there
9 came a time when your lawyers approached us and said that
10 you needed to file a proceeding in Canada. Right?

11 A. Yes.

12 Q. And you're also aware, I'm sure, that your lawyers were
13 told the Receiver would consent to you filing a proceeding.
14 Right?

15 A. I'm not sure that that was the message I got.

16 Q. Really. So what happened was there --

17 A. Unless there were conditions attached that I'm --
18 I -- I don't -- I don't know the answer to that one. That
19 doesn't sound correct.

20 Q. Okay. So you -- you were never told that the Receiver
21 had said, fine, we have the power under the Receivership
22 order in Canada to consent; we will consent to your filing
23 that proceeding. You were never told that?

24 A. I'm -- I'm not sure -- I -- I'm not exactly sure of
25 the legal context in which we were seeking to file -- say

1 file an order or file a proceeding?

2 Q. Proceeding.

3 A. I am not sure of the legal niceties under which we got
4 there --

5 Q. Okay.

6 A. -- certainly.

7 Q. But the way we got there is lawyers for you and lawyers
8 for the Receiver ended up having to go and argue in front of
9 a judge. You're aware of that.

10 A. Yes. We argued in front of a judge, certainly.

11 Q. And your lawyers argued to the judge that you needed
12 two things: You needed the recognition order that Mr.
13 Janvey had in place amended and --

14 A. Yes.

15 Q. -- you needed permission to file the proceeding.

16 A. Yes.

17 Q. But you didn't get the recognition order amended. You
18 got permission to file the proceeding. Right?

19 A. That sounds right.

20 Q. Yeah. Which is what you were offered from the
21 beginning.

22 A. (Indicating.)

23 Q. You're just not aware of that, I guess. Right?

24 A. I don't have a full recollection of exactly how that
25 came about, no.

1 Q. Okay. All right. Now, let's turn to the next thing in
2 this protocol I want to ask you about. If you would go over
3 to page 23, now --

4 A. I'm sorry. Of the protocol we're talking about?

5 Q. Yes. We're talking --

6 A. Yeah.

7 Q. -- about the protocol --

8 A. Okay.

9 Q. -- page 23, under heading Chapter 15 Recognition.

10 A. Yes.

11 Q. So you were proposing as part of this cooperation
12 proposal that the Receiver agree that you be recognized
13 and recognized as the foreign main proceeding.

14 A. Yes.

15 Q. And that was your proposal for cooperation on that
16 issue. Right?

17 A. To be recognized as a foreign main proceeding is what
18 it says.

19 Q. Okay. And -- and, of course, that's what you're asking
20 the Court to give you -- over our objection, you're asking
21 the Court to give you recognition as the foreign main
22 proceeding.

23 A. Yes.

24 Q. All right. And then the next thing I want to ask you
25 about, if you'd turn over to page 27 under -- there's a

1 special heading for Canadian Proceedings. You're proposing
2 in this cooperation protocol that Mr. Janvey resign, quit,
3 leave Canada, and turn it over to you. Right? Paragraph
4 15.1?

5 A. Yes. Yes.

6 Q. Okay. And -- and that was part of your proposal for
7 cooperation, that Mr. Janvey resign and give you Canada.
8 Right?

9 A. So that we could act as we saw fit in Canada, yes.

10 Q. Act as you saw fit --

11 A. Yeah.

12 Q. -- in Canada.

13 A. Yes.

14 Q. And one of the things you want to do in Canada is
15 oppose the criminal forfeiture of the \$20 million that's
16 in process. Right?

17 A. That would be one of the things we did, yes.

18 Q. And, of course, oppose it so that you could take
19 control of those funds. Yes?

20 A. We think they're SIB assets and should be in the SIB
21 Estate, yes.

22 Q. Sure. And then the next thing I want to ask you
23 about, if you'd go to page 20, and page 20 is -- is the
24 whole subject of the distribution protocol. Right?

25 A. Yes.

1 Q. And this is -- this isn't word for word, but this is
2 basically the priority scheme under the so-called waterfall
3 statute in Antigua. Right?

4 A. The waterfall section, yes.

5 Q. Sure. And what you're asking the Receiver to agree to
6 is that's how distribution is going to work, we're going to
7 follow the Antiguan process. Right?

8 A. That was our proposal, yeah.

9 Q. Yeah, sure.

10 A. If it's a, you know -- doesn't matter what.

11 Q. And you wanted us to cooperate by agreeing to that?

12 A. Yes.

13 Q. Oh, okay. And -- and, of course, it is in this
14 waterfall section that, as we talked about, any claims by
15 the government have -- would have priority over investors.
16 Right?

17 A. Yes.

18 Q. Employees' severance claims have priority over
19 investors. Right?

20 A. Yes.

21 Q. And then there's a whole category of people who get
22 paid a hundred cents on the dollar, regardless of what
23 anyone else gets. Right? The category for people who
24 have claims under a certain amount, they get a hundred --

25 A. Oh, yeah. Sorry. Yeah, yeah, yes. The -- the --

1 Q. Yeah. They get a hundred cents on the dollar.

2 A. Yes.

3 Q. Right. Okay. And then that's something else you
4 wanted us to agree to. Right?

5 A. We would have liked to have had that agreement, yes.

6 Q. Sure. Okay. Now, let's look at paragraph 8, which is
7 about information sharing, and it's several pages about how
8 we're going to share information and so forth. And I want
9 to ask you about that.

10 MR. WIELEBINSKI: What page, counsel? I'm sorry.

11 MR. SADLER: It's page 8, and it runs from page 11
12 all the way to page 16.

13 Q. (BY MR. SADLER) But let me direct your attention
14 specifically to paragraph 8.14 and 8.15. And tell me when
15 you have that in front of you. Have you got it, Mr. Wide,
16 8.14 on page 15?

17 A. Oh, I see 8.14, yes. Sorry. Yeah.

18 Q. Yeah. 8.14, right.

19 A. Yeah.

20 Q. Now, what you were proposing here is that in order for
21 you to share information with the Receiver, there had to be
22 this process where you would go to the court in Antigua and
23 get permission from the court to have Mr. Janvey designated
24 as -- as an agent of the bank. Is that the gist of it?

25 A. Ummm -- excuse me while I read it.

1 Q. Sure. Is that the gist of it, Mr. Wide?

2 A. Well, what it says is there's a -- there's a statutory
3 prohibition against people receiving information and the
4 only person who might receive information under the
5 prohibitions oath says it may be disclosed to a third party
6 by an agent of SIB.

7 Q. Okay. And so the -- the issue that you're raising here
8 is there are these bank secrecy laws in Antigua. Right?

9 A. Confidentiality laws --

10 Q. Okay.

11 A. -- might be a nicer phrase.

12 Q. Bank confidentiality laws.

13 A. Sure.

14 Q. And in order to get around those, if you will, you're
15 proposing that there be this process to go to the Court,
16 get permission for Mr. Janvey to be designated an agent,
17 and then if the Court agrees, then he'll be in a position
18 to receive information and not run afoul of the prohibition.
19 Is that the gist of it?

20 A. I'm not sure that's quite right. I think we -- we ask
21 the Court for a declaration the JLs and the Receiver are
22 both agents for the purposes, yes.

23 Q. Oh, okay. But -- but you know, sir, that others
24 recently have gotten access to all of your records that you
25 have of the bank in Antigua, and there was no requirement

1 of making them an agent. You know that's happened.

2 A. To what do you refer?

3 Q. Well, sir, aren't you aware that very recently lawyers
4 for Allen Stanford obtained a court order allowing them
5 access to virtually everything --

6 A. Yes.

7 Q. -- that you've got?

8 A. I'm -- I'm aware that they went up -- went to court
9 and got an order allowing them access to the records of the
10 bank, yes.

11 Q. Sure. And, in fact, we have a copy of that order, if
12 you'll turn to tab 15. And it's very short. There's not
13 much to it.

14 A. Yeah.

15 Q. But, sir, this is the order, isn't it, that allowed
16 Allen Stanford's lawyers to obtain access to a long list
17 of records, payment information, money transfers, income
18 statements, balance sheets, documentation of investments,
19 any documents they determine relevant? They got access to
20 that, didn't they?

21 A. From this order, yes.

22 Q. Sure. And -- and there's nothing in this order about
23 appointing them an agent, is there?

24 A. I'm not sure this order gets them around the problem
25 of the statutory prohibition which we may have to have

1 clarified.

2 Q. Oh, I see. Well, so let me ask you that. Is there
3 any restriction in this order on how they can use that
4 information? I don't see one. Do you see one?

5 A. I -- I don't see one, no.

6 Q. Sure.

7 A. But that's -- that's an issue that we are concerned
8 about.

9 Q. Sure.

10 A. They have not yet asked for access, and when they do,
11 we will raise these issues.

12 Q. So is Allen Stanford, is he still an agent of the bank
13 under Antiguan law?

14 A. Not that I'm aware of.

15 Q. Okay. And in terms of agents of the bank, I need to
16 ask you something from your direct testimony. You mentioned
17 in your direct testimony that, after you were appointed, you
18 found some bank records at the law offices of Cort & Cort.
19 Do you know what I'm talking about?

20 A. Yes.

21 Q. And Cort & Cort is a law firm in Antigua. Right?

22 A. Yes.

23 Q. And Errol Cort is one of the Courts of Cort & Cort.

24 A. Yes.

25 Q. And -- and just tell the Court, who is Errol Cort?

1 A. Mr. Cort is a lawyer in Antigua. He's also been a
2 politician, and from time to time I think he has been
3 probably Attorney General and, as I understand, the
4 Minister of Finance.

5 Q. Right. He currently holds some position in the
6 government, does he not?

7 A. I believe so. I'm not sure.

8 Q. And -- and what you were saying in your direct
9 testimony is you found that, at Mr. Cort's law office,
10 they had records of Stanford International Bank. Right?

11 A. Yes.

12 Q. And to the best of your knowledge, they have been
13 there since February 2009?

14 A. I have no idea how long they've been there.

15 Q. And do you know that Mr. Cort's law office was the --
16 the registered office for Stanford International Bank
17 for a --

18 A. Yes.

19 Q. -- long time?

20 A. Yes.

21 Q. Do you have any idea why Mr. Cort, who's been sued by
22 the Investors Committee here in the United States, why he
23 would have Stanford International Bank records in his law
24 office?

25 A. No, I don't.

1 Q. Okay. All right. And, finally, on this protocol, if
2 I could ask you to turn to paragraph 7.2.

3 A. I'm sorry, I was flipping to something else. That
4 order --

5 Q. Yeah, paragraph 7.2 --

6 A. -- where was it again? Sorry. Was it section -- tab
7 14, was it?

8 Q. At tab 14, paragraph 7.2, which is on page 10.

9 A. Yes.

10 Q. Do you have it, sir?

11 A. Yes.

12 Q. And -- and this is the last thing on this protocol I
13 want to ask you about. This is your proposal, that we will
14 cooperate with you in fighting all the various criminal
15 asset forfeiture actions going on, and which means Canada,
16 the UK, and Switzerland.

17 A. Yeah.

18 Q. That's what's being talked about.

19 A. Yes.

20 Q. And you asked us to agree to actually join you to fight
21 those. Right?

22 A. We thought it would be a good thing to recover the
23 assets of SIB for SIB's creditors, yeah, whether it was you
24 or whether it was us.

25 Q. And -- and in -- and, in fact, you also proposed that

1 if we don't feel like joining you, that we agree it's okay
2 if you do it anyway.

3 A. Yes.

4 Q. Okay. Now, last, sir, you were familiar -- we talked
5 earlier about these FSRC reports made by the bank.

6 A. Yes.

7 Q. Now, I'm sure you're aware that it -- it is a crime
8 under Antiguan law for anyone to submit or assist someone
9 to submit a false statement about a regulated bank to the
10 FSRC. You know that.

11 A. Well, I'm -- I'm sure it is. I haven't seen the
12 section, but I'm -- it would make sense if it were, yes.

13 Q. It would make sense. Now, in the six-and-a-half,
14 seven months that you have been working on this matter,
15 are you aware of any charge, any indictment, any
16 prosecution, any effort of the Antiguan government to
17 prosecute anyone in Antigua, any of the 90 employees
18 down there, for violating the law by submitting false
19 statements to the FSRC?

20 A. No.

21 Q. But you know, don't you, sir, that Stanford Inter-
22 national Bank repeatedly submitted to the FSRC false
23 information about its assets and liabilities?

24 A. Yes, I do.

25 MR. SADLER: No further questions.

REDIRECT EXAMINATION

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By Mr. Wielebinski:

Q. Mr. Wide, one of the first questions that Mr. Sadler asked you about was in Exhibit 1. Can you turn to Exhibit 1, please? I think it was on page 2 of Exhibit 1.

A. In -- in his book?

Q. Yes, sir.

A. Yes.

Q. Paragraph 5 --

A. Yes.

Q. -- you saw that -- that statement. You said you didn't agree with that currently. Can you tell the Court why?

A. Yes. As our investigations have continued and we've tracked the flow of funds and we've looked at how money was removed from control of the depositor, if you like, it became clear to me that the funds were being stripped out of SIB, partly through those contracts that were spoken about earlier and partly by simply removing them, putting them into other Stanford entities and then onwards for the benefit of either Mr. Stanford or other persons unknown.

Q. And how is that different than a Ponzi scheme? Why did you make that distinction?

A. From our view, it looked like the bank's money was being stolen rather the bank was running a Ponzi itself.

Q. Did the bank have legitimate banking operations --

1 A. Yes, it did.

2 Q. -- in your opinion?

3 A. Yes, it did.

4 Q. One of the things that was mentioned was outsource
5 contracts. Now, you -- do you remember that testimony?

6 A. Yes.

7 Q. You have substantial experience dealing with offshore
8 financial institutions, do you not?

9 A. Yes.

10 Q. And is it typical to find outsource contracts in off-
11 shore financial institutions?

12 A. It is certainly not unusual.

13 Q. And you gave a statement that the -- the amount of
14 the funds that were paid to employees of SIB were -- were
15 small as compared to the -- the other assets that -- that
16 were -- were -- were involved. Is that correct?

17 A. Yes.

18 Q. All right. But you're not demeaning or belittling the
19 fact that there were 91 employees at the bank.

20 A. No.

21 MR. SADLER: Your Honor, could I just ask that
22 counsel not lead his own witness, please? And I object to
23 the leading.

24 THE COURT: All right. Let's not lead.

25 Q. (BY MR. WIELEBINSKI) Did Stanford International Bank

1 in your opinion operate as a typical offshore bank similar
2 to -- well, strike that. Just as a -- did it operate as a
3 typical offshore bank in your experience?

4 A. Yes, as far as its customers were concerned.

5 Q. Did it have banking operations --

6 A. Yes.

7 Q. -- the ones that Mr. Grossman pointed out and that you
8 point out in your opening -- or in your direct testimony?

9 A. Yes.

10 Q. And can you run through the -- through what those
11 operations were again for the Court?

12 A. Well, not only taking money on deposit through CDs, it
13 offered credit card services. It offered loan services.
14 It offered bill payment services, regular wire transfers.
15 Those are the principal ones. They are listed in my direct.

16 Q. Mr. Wide, if -- if you own gold, do you have to have
17 physical possession of it to own the gold?

18 A. No.

19 Q. And why is that? How can you own it otherwise?

20 A. You can -- you can hold gold certificates which is held
21 somewhere else. And the bank I referred to when Mr. Sadler
22 asked me the question had \$40 million worth of gold. It was
23 stored in a bank as it happens in Houston.

24 Q. Now, did you understand that Mr. Fundora's primary
25 reason to remove Vantis was because of their lack of getting

1 anything done or incompetency or inappropriate actions or
2 lack of actions?

3 A. I understood it to be lack of action. They weren't
4 getting anywhere with the Estate.

5 Q. Okay. And these same people were the ones that
6 entered into the stipulation that Mr. Sadler was talking
7 about that he was asking why didn't you go forward with
8 that stipulation. Do you recall that?

9 A. Yes.

10 Q. Okay. And you had some questions about that
11 stipulation, did you not?

12 A. I didn't believe it was in the best interests of the
13 creditors of the bank.

14 Q. Okay. You looked at it, though, and you looked at it
15 closely.

16 A. Yes.

17 Q. Is that a fair statement?

18 A. Yes.

19 Q. You didn't simply throw it aside just because Vantis
20 was involved in it.

21 A. No. I -- I felt we had a useful role to play in the
22 United States.

23 Q. And you decided that there was a -- a different
24 proposal that should be made.

25 A. Yes.

1 MR. SADLER: Your Honor, could I please ask
2 counsel not to lead his own witness. I object to it.

3 THE COURT: I'll sustain leading.

4 Q. (BY MR. WIELEBINSKI) Now, you're not saying to the --
5 are you saying to the Court that you agree with the actions
6 that were taken by Vantis in this case?

7 A. No.

8 Q. As a matter of fact, you disagree with a lot of their
9 actions, do you not?

10 A. Indeed.

11 Q. Is it fair to say or can you tell me, do you feel that
12 you have, however, stepped into the situation they created?

13 A. Absolutely, yes.

14 Q. Okay. And that includes the Chapter 15 petition, does
15 it not?

16 A. Yes.

17 Q. Okay. And other contracts they may have entered into.

18 A. Yes.

19 Q. You have an obligation, do you not, by statute and
20 pursuant to the court order to perform your duties? Is
21 that correct?

22 A. Yes.

23 Q. And there was some mention made about \$20 million that
24 was obtained through the court in the UK of funds that
25 were subject to an asserted right to forfeiture. Is that

1 correct?

2 A. Yes.

3 Q. Did you get the -- what was the reason you went to get
4 those monies and asked permission from the Court?

5 A. We were looking for the best way to fund the Estate.
6 The alternative funding we had been offered by a private
7 equity fund was extremely expensive, brutally so, to be
8 honest, and it appeared to us that the bank had assets which
9 could be put to work for the benefit of creditors and to
10 run the Estate, and that this money would be obtainable
11 reasonably cheaply if ordered by the court in England.

12 And indeed the Court has ordered that we can draw down
13 \$20 million. It is repayable to the fund if the forfeiture
14 is successful, and we are paying a rate of interest on that
15 money.

16 Q. So the money is not free. It's not like the monies
17 that Mr. Janvey has recovered where he can just pay his
18 professionals. You -- you actually have an obligation to
19 repay. Correct?

20 A. We have an obligation to repay, yes, through --
21 through the English court, yes.

22 Q. All right. And did you go in on an ex parte basis to
23 get that money? In other words, did you just go to the
24 court without telling anybody else that you were going to
25 ask for the money?

1 A. No. Indeed we had fairly lengthy negotiations with the
2 Serious Fraud Office and we actually thought we were going
3 to have a consent order with respect to those monies.

4 Q. The Serious Fraud Office is the -- the office in the
5 UK that --

6 A. -- that is responsible for bringing the criminal
7 prosecution at the request of the DOJ.

8 Q. But it was a request of -- of the Department of
9 Justice. Correct?

10 A. Yes.

11 Q. And so they were present at the contested hearing that
12 was held before the court on whether you should get the
13 \$20 million. Correct?

14 A. Yes, they were.

15 Q. And the court heard all the arguments of the parties.
16 Correct?

17 A. Yes.

18 Q. And the court nevertheless felt what?

19 A. It -- it felt that this was a good use of those funds
20 for the benefit of creditors.

21 Q. And thought it was appropriate that you -- you have
22 those funds to fund your efforts to perform your duties.

23 A. Yes.

24 Q. Is that a fair statement?

25 A. Yes.

1 MR. SADLER: Excuse me, Your Honor. I object to
2 the leading. There's a proper way to ask questions. This
3 isn't it.

4 THE COURT: All you have to do is say, objection,
5 leading, and I'll know just exactly what you mean.

6 MR. SADLER: Yes, sir.

7 THE COURT: Sustained.

8 Q. (BY MR. WIELEBINSKI) You mentioned the rate of
9 expenditure that you're incurring.

10 A. Yes.

11 Q. Correct? Is it your -- can you tell me, are the --
12 is -- is that burn rate now being reduced?

13 A. Yes.

14 Q. Is it typical or not typical to have a significant
15 burn rate in the beginning of a representation?

16 A. It is, yes.

17 Q. And would it be normal to do that in a case like this
18 where you came in as a replacement for prior liquidators, or
19 is that unusual?

20 A. First, it's not usual to be a replacement role. But in
21 this case we had significant difficulty trying to find out
22 and examine what the previous Joint Liquidators had done.
23 We had to assess their efforts and whether they were useful
24 and appropriate.

25 We then had to review all the claims that they had

1 initiated or had not initiated.

2 We had to look for other issues like jurisdictions
3 where dates might be expiring -- dates for filing might
4 be expiring, which we found in Canada, for example.

5 They had done no real review of the records of the bank
6 at all in terms of trying to track down where all the money
7 went, if there were further pockets of cash. And we had to
8 build an electronic platform onto which to upload the data,
9 and we have just completed that. We are starting to now
10 discover that to find out where all the cash went.

11 So there are significant upfront costs in any pro-
12 ceeding, and they were almost higher in this one because
13 we had to sort through what had been done by Janvis (sic)
14 and decide what was worthwhile, what was useful, and what
15 was not.

16 Q. Do you or do you not have to spend in your opinion
17 monies on professionals in order to satisfy your statutory
18 obligations to the court in Antigua?

19 A. Indeed, I do.

20 Q. Does Mr. Janvey have to do the same thing with respect
21 to his obligations to the U.S.?

22 A. Yes.

23 Q. Has Mr. Janvey spent a significant amount of money in
24 your opinion?

25 A. Yes.

1 Q. Okay. Are you able to recover monies -- do you believe
2 you'll be able to recover monies to repay the \$20 million?

3 A. Yes.

4 Q. And can you explain to the Court who, if anyone, you
5 have to report to for the expenditures you make from the
6 \$20 million? Is it just the Antiguan court or do you have
7 to go anywhere else?

8 A. No. The -- the court has created in the Serious Fraud
9 Office a watchdog over our expenditures, and we have to
10 report to them monthly on our -- how we spend the money.

11 And they have a right, if they think we are spending
12 it imprudently to return to court and ask for the court's
13 assessment of those, whether our fees are reasonable,
14 whether the work we're doing is sensible. And I understand
15 from the court that, if -- if we're not prudent, they would
16 restrict further draws.

17 Q. With respect to the filing of the Chapter 15, in your
18 own words, can you explain to the judge what it is you're
19 trying to achieve through the Chapter 15?

20 A. We are in fact trying to create a cooperative environ-
21 ment. It is absolutely not our intention to take over any
22 part of the U.S. proceeding or Estate. It's our belief
23 that through the use of Chapter 15, and foreign main in
24 particular, we can bring additional rights and remedies to
25 the U.S., some of which are helpful to us in examination and

1 discovery of -- of information that we might need to sue
2 elsewhere.

3 And, secondly, we believe we can, by joining arms with
4 the Receiver here, support some of the actions that are --
5 that are ongoing here. And Mr. Grossman made comment about
6 some of the clawback claims which are defended on the basis
7 of lack of standing. Our view is if we stood shoulder to
8 shoulder with Mr. Janvey and said, we're both here now, you
9 have to deal with both of us, why don't we get on with life,
10 that adds value, we thought, to the U.S. proceeding.

11 Similarly, there are actions that we thought were worth
12 looking at to determine where the best place was and which
13 of us had the best chance of success. And rather than
14 duplicate activity, we would try and determine between us
15 who had the best chance of winning money for the defrauded
16 depositors.

17 We had hoped within that, then we would lead on to it
18 to a common claims protocol. We have a statutory one which
19 is slightly inflexible. We hope that we might be able to
20 find a way to cover those inflexibilities and match that
21 with what this Court might order.

22 Similarly, on information exchange, we believe that
23 would be much easier to coordinate under a Chapter 15.

24 The other advantage is that, under Chapter 15, I
25 believe the two courts can speak to each other as provided

1 for as part of that process. And, again, we hope that that
2 might lead to, rather than us competing because we weren't
3 coordinating activities, to the courts coordinating both
4 activities, because at the end of the day I have to say, in
5 all honesty for the Joint Liquidators, we don't really care
6 which pot it goes into as long as the money is raised.

7 And the worst thing that would happen, if a claim
8 failed for want of standing, for time limits expiring, those
9 sorts of things, and by joining under Chapter 15, we believe
10 that we would be bringing those things to the table and --
11 and enable the Estate to maximize -- and I say the Estate
12 meaning both Estates, to maximize recoveries for the benefit
13 of the depositors.

14 Q. Are you trying to grab the funds that Mr. Janvey has
15 in his possession?

16 A. No.

17 Q. Are you trying to take over all of the litigation
18 that's been initiated by Mr. Janvey?

19 A. No.

20 Q. Are you trying to do that with respect to the
21 litigation initiated by the Official Investors Committee?

22 A. I'm not trying to take over any litigation. What we
23 want to make sure is, by collective discussion about who has
24 the best right and the best standing and the best chance of
25 success, that that's the party that goes forward or both

1 parties together.

2 Q. Are you -- do you feel you have -- does Antigua have
3 a statutory provision that requires a certain waterfall of
4 distribution?

5 A. Yes, it does.

6 Q. And you feel like you're obligated to comply with that
7 to perform your duties?

8 A. It's -- it's a statutory provision to the extent -- I
9 don't know to what extent a court would be prepared to find
10 modifications to it, but I'm -- I'm willing to negotiate
11 that and see if we can find a way to -- to reconcile what
12 this Court might want and what our court might be mandated.

13 Q. With respect to that statutory waterfall, you've
14 proposed, have you not, to do it on a cooperative basis
15 with Mr. Janvey? Correct?

16 A. Yes.

17 Q. You don't intend to take the money from Mr. Janvey
18 to have to bring it to Antigua in order to make that
19 distribution --

20 A. No.

21 Q. -- do you?

22 A. No.

23 Q. It -- it can come out of a joint bank account, can it
24 not?

25 A. Yes.

1 Q. You are prepared to turn over the documents to Mr.
2 Janvey -- remember the ones that he said he really needed or
3 his counsel said he really needed at the status conference?
4 If you've got those documents, you're going to find a way to
5 try to get them to Mr. Janvey. Is that a fair statement?

6 A. With a -- with a protocol like this, yes.

7 Q. Okay. And this protocol will be subject to Judge
8 Godbey's approval. Correct?

9 A. Absolutely.

10 MR. SADLER: Object to the leading, Your Honor.

11 THE COURT: Sustained.

12 Q. (BY MR. WIELEBINSKI) Is there any court approval that
13 will be required if the protocol is accepted?

14 A. I would assume both courts would have to approve the
15 protocol.

16 Q. And if -- if Judge Godbey granted you foreign main
17 recognition and you were to just look at the provisions of
18 the Bankruptcy Code, would you have to do all of the things
19 you propose to do in the protocol or not?

20 A. No. We could do that by agreement.

21 Q. But if you didn't have an agreement, you wouldn't have
22 to do all these things. Correct?

23 A. That's right.

24 Q. Nevertheless, three-and-a-half months ago, did you
25 feel like you were willing to make these concessions and

1 agreements and put it on paper and send it to the other
2 side?

3 A. Yeah. We were willing to work on a negotiation of
4 a protocol. This was our first offer for negotiation.

5 Q. And you did negotiate on a protocol. Correct?

6 A. Yeah. Yes.

7 Q. Okay. I don't want to get into the specifics of what
8 was negotiated, but did you get any kind of line-by-line
9 markup or change that said, here's our issues, here's what
10 we need to do, in order to try to move this forward?

11 A. No.

12 Q. Did you get any response? Don't tell me the specifics
13 of it. I just want to know if you got a response.

14 A. I think there was a letter primarily rejecting it.

15 Q. If Mr. Janvey or his counsel came back and said, I
16 really have a problem with this particular provision where
17 it appears I may be being appointed an agent for Stanford
18 International Bank, can we work around that somehow, is
19 that something you'd be willing to consider or talk about?

20 A. I think all the terms of that protocol were open to
21 discussion.

22 Q. Okay. Did you ever hear about that provision being
23 offensive to them?

24 A. No.

25 Q. Now, part of the protocol that you've proposed is to

1 allow this judge to speak to his counterpart in Antigua
2 about how the protocol is implemented. Is that a fair
3 statement?

4 A. Yes.

5 Q. Is that what the protocol reflects?

6 A. Yes.

7 Q. Is that fairly typical in protocols to have the courts
8 coordinating their efforts and --

9 A. I -- I think it --

10 Q. -- making sure things are running well?

11 A. I think it's specifically contemplated under these --
12 under the UNCITRAL model law arrangement.

13 Q. If we can, let's talk for a minute about the funds that
14 the DOJ has attempted to forfeit. It hasn't yet succeeded
15 in that effort, has it?

16 A. No.

17 Q. All right. And those funds are in how many
18 jurisdictions?

19 A. Three.

20 Q. And can you tell the Court which jurisdictions?

21 A. Canada, the UK, and Switzerland.

22 Q. And with respect to the last two jurisdictions, do
23 you have any recognition in those countries?

24 A. We -- the proceeding has recognition in the UK and
25 also in Switzerland.

1 Q. All right. And can you tell the Court why you're
2 pursuing the recovery of those monies rather than letting
3 the DOJ attempt to forfeit them?

4 A. Certainly. The issue for us is, one, we think these
5 are the bank's assets and should be paid over to the bank
6 through the Liquidators for distribution.

7 Secondly, had we been able to have these funds paid
8 over to us some time ago, we could have distributed them by
9 now. They would be available for distribution in our hands,
10 and we could have run a claims process and distributed the
11 bulk of them.

12 We like the nature of the claims process in Antigua.
13 It's -- it's certain. It's there. It's not one generated
14 by the DOJ.

15 It's not an application for remission. We also had
16 concerns that a number of the Latin American investors might
17 be reluctant to approach the U.S. government for remission,
18 like making a claim for remission, and would find it easier,
19 frankly, to make a claim through our liquidation proceeding.

20 Q. Are those monies in -- in your opinion a prime source
21 for an immediate distribution if they were freed up or --
22 or turned over collectively to the Receiver and the Joint
23 Liquidators? Would they be available to distribute to the
24 creditors?

25 A. Yes. We have indicated that, in our webinar, if those

1 funds were freed up tomorrow, we could have a distribution
2 in the first quarter of 2012.

3 Q. And the Department of Justice under its forfeiture
4 proceeding, it can't make those distributions currently,
5 can it?

6 A. No. My understanding it has to have a final conviction
7 of Mr. Stanford before it can move forward with its
8 forfeiture.

9 Q. And it's been how many years that that criminal matter
10 has been ongoing? Do you know?

11 A. I don't know when the first claims were made or when
12 Mr. Stanford was first charged, but it was back in the
13 early part of this proceeding.

14 Q. And when is it -- when is the criminal proceeding going
15 to get wrapped up?

16 A. I think there's hearings on it now, but I have no idea
17 when it's going to end.

18 Q. You have no idea when it's going to end.

19 A. I have no idea when it's going to end.

20 Q. So you have no idea, if that's a condition -- getting
21 the criminal proceedings finalized, if that's a condition to
22 distributing the money, you have no idea when the DOJ might
23 be able to make a distribution.

24 A. No.

25 MR. SADLER: Object to the leading, Your Honor.

1 THE COURT: Sustained.

2 MR. WIELEBINSKI: I'll try to rephrase it.

3 Q. (BY MR. WIELEBINSKI) Assuming that the wrapping up
4 of the criminal matter is a condition to the forfeiture --
5 forfeited funds being distributed, you don't know when
6 that -- or do you know when that might occur?

7 A. No.

8 Q. Are you able to account for all the depositors' funds
9 received and all funds paid out to depositors and identify
10 the funds diverted from Stanford International?

11 A. We have the information to do so. We haven't completed
12 that analysis yet.

13 Q. Okay. And you haven't done it because -- is there a
14 reason?

15 A. Funding was one. It's an expensive process to load up
16 the platform for the electronic discovery. We now have that
17 and we have started that process and are already starting to
18 find little pockets of -- of money or value hidden away.

19 Q. Let me go back. We talked about Switzerland and the
20 UK and you explained why you are pursuing those funds and
21 how you're hoping that those monies might be available to
22 distribute to creditors quicker than through a forfeiture
23 proceeding. And you're doing that in court --

24 A. Yes.

25 Q. -- or are you doing that in court?

1 MR. SADLER: I object to the leading, Your Honor.

2 MR. WIELEBINSKI: I tried to change it, Your
3 Honor, and catch it.

4 Q. (BY MR. WIELEBINSKI) Are you doing that through a
5 court process?

6 A. We are.

7 Q. And in Canada, are there any efforts there that you're
8 taking to pursue any funds set aside by any governmental
9 authorities?

10 A. Yes. We -- we are seeking to recover the \$20 million
11 that is frozen there. I believe it's going to be slightly
12 less by the time other claims are dealt with, but we are
13 seeking to return that to the Antiguan Estate.

14 Q. Mr. Sadler raised some questions about that. Is -- is
15 Mr. Janvey seeking to get those funds or is anybody else on
16 behalf of the Receivership Estate trying to get those funds?

17 A. No.

18 Q. Well, what are they doing with the funds?

19 A. Presently they are just being held for forfeiture. I
20 don't believe there's any other efforts apart from ours to
21 recover them for the Estate.

22 Q. And can you explain why they are not doing anything on
23 those funds?

24 A. I believe they determined that they are not going to
25 proceed.

1 Q. They are going to -- do you know if they are going to
2 just allow the forfeiture process to take place?

3 A. That's my understanding.

4 Q. And so those \$20 million of funds might not be
5 available for a long period of time? Would that be a
6 conclusion that you could reach?

7 A. Until they could be forfeited.

8 Q. Under the protocol, if you recovered any assets in the
9 United States that the court allowed you to recover and you
10 wanted to sell those, which court would be deciding what to
11 do with those -- with that asset?

12 A. Under the Chapter 15?

13 Q. Yes, sir?

14 A. If we had a Chapter 15 agreement? It would be the U.S.
15 court, Judge Godbey, I imagine.

16 Q. And if he allowed to you sell the assets, would you
17 also have to come to him to get permission to disburse the
18 assets? Do you know?

19 A. I would imagine so, yes.

20 Q. And do you have a problem with that?

21 A. No.

22 Q. Would you be willing to agree to that in a protocol if
23 that was required?

24 A. Certainly.

25 Q. Okay.

1 MR. WIELEBINSKI: Judge, may I have one minute?

2 (Conference between counsel off the record.)

3 Q. (BY MR. WIELEBINSKI) I just have a few more questions
4 going back to the protocol.

5 Do you recall if under the terms of the protocol we
6 would do what we could and attempt to get standing for
7 Mr. Janvey in Antigua? Can you speak to that?

8 A. I believe that was the proposal, yes.

9 Q. Does he currently have standing in Antigua?

10 A. No, he does not.

11 Q. And you'd be willing to continue to do that or would
12 you be willing to continue to seek standing for Mr. Janvey
13 in Antigua?

14 A. Yes, certainly.

15 Q. And do you know if the protocol addressed the issue
16 of protections and immunities from suit or legal process
17 in Antigua, the same as -- as those under the laws of the
18 United States?

19 In other words, if Mr. Janvey came down to Antigua,
20 he'd be -- we'd ask the Court to protect him and make him
21 immune from any liabilities down there?

22 A. I don't specifically recall, but it -- it might.

23 Q. If I told you that was in there, would you have a
24 reason to disagree?

25 A. No. I -- I would think that would be right.

1 Q. And you -- would you have any problem with trying to
2 do that if the court in Antigua would approve that?

3 A. No problem at all.

4 Q. What about nonpublic information? Would you make that
5 available?

6 A. I'm not sure what you mean by nonpublic information.
7 Such as?

8 Q. For example, anything that's not in the public record.
9 So I would state for -- give you an example of customer
10 accounts.

11 A. Sure. We can find a way to comply with the
12 confidentiality provisions.

13 Q. And if I understand you, if -- if part of getting
14 access to that information created an issue, such as being
15 an agent of Stanford International Bank, if that was
16 something you thought was required but it's -- it's a real
17 problem for the other side, will you attempt to find other
18 ways to get that information?

19 A. We're willing to work on any way to make this protocol
20 work. I mean, I think that's the answer to that.

21 Q. You're willing to do a joint bank account?

22 A. Yes.

23 Q. I'm sorry?

24 A. Yes. I'm sorry, that's for distribution purposes.

25 Q. Yes.

1 A. Sure. Sure.

2 Q. And I think, but you can tell me if you're right --
3 if I'm right on this, what about claims against the
4 various Stanford entities? Would you be pursuing those
5 claims if the protocol was approved and you got foreign
6 main recognition?

7 A. Not to disturb the Receivership. I mean, if we had
8 to make a claim through a company to get to some other
9 asset that otherwise is not being pursued, we would do
10 that, but certainly with no intention of disturbing the
11 Receivership.

12 Q. And to the extent you're able to get these monies in
13 these foreign jurisdictions outside of this -- this forge
14 picture process, it's going to benefit all the same
15 creditors, is it not, that Mr. Janvey is trying to get
16 distributions to?

17 A. Yes.

18 Q. You're working together essentially.

19 A. The Estates essentially overlap, and I think 97 point --
20 99.7 percent of the claims in our Estate are depositors, and
21 it's only slightly less I believe in the Receivership of
22 SIB.

23 Q. Remember the question Mr. Sadler asked you about some
24 access to documents that Mr. Cort got? It was at the end
25 of his cross-examination.

1 A. Yes.

2 Q. Those documents haven't been released, have they?

3 A. No.

4 Q. And to the extent that they requested those documents,
5 you're going to visit the issues he's raised before you
6 release any of those documents?

7 A. Yes.

8 MR. WIELEBINSKI: Pass the witness.

9 MR. SADLER: Very briefly, Your Honor.

10 RECROSS EXAMINATION

11 By Mr. Sadler:

12 Q. We need to go back to where -- where we started with
13 this Ponzi scheme.

14 A. Uh-huh.

15 Q. Are you telling this Court that since August of 2011
16 when you signed a claim saying SIB was run under a business
17 model that was a Ponzi scheme, you have changed your mind
18 and come to a different conclusion in the last 90 days and
19 it's -- and concluded it's not a Ponzi scheme?

20 A. I'm concluding there was a fraud committed, yes. And
21 I'm concluding that, for SIB's point of view, its money was
22 stolen through these variety of contracts and sometimes
23 just outright stolen by Mr. Stanford, yes, or his other
24 companies.

25 Q. Have you taken any steps to withdraw or amend your

1 statement under oath to the Antiguan court stating that
2 SIB operated a business model that was a Ponzi scheme?

3 A. Not as yet, no.

4 Q. Now, you would agree with me, sir, that during the
5 time Stanford operated this bank, control of where the
6 CD investors' money went, where it was held, all of that
7 was controlled by people outside of Antigua, wasn't it?

8 A. Yes.

9 Q. Now, you said something to your lawyer about when
10 you stepped into Vantis's place, you stepped into their
11 contracts, and I want to be clear. You're saying you --
12 you assumed all the contracts Vantis agreed to except you
13 did not assume and you reject the agreement they reached
14 with the Receiver. Right?

15 MR. WIELEBINSKI: Objection, Your Honor. I think
16 that mischaracterizes the testimony.

17 THE COURT: Overruled.

18 THE WITNESS: I don't see that as being a
19 contract. The contracts that Vantis had entered into,
20 signed agreements for, are either approved or unapproved
21 by the Court. That one seemed to me contrary to the
22 interests of the Estate and, no, we did not go ahead with
23 it.

24 Q. (BY MR. SADLER) In April 2009, you agree with me
25 that Stanford International Bank was shut down, was not

1 operating. Correct?

2 A. It wasn't dealing with its -- its depositors' interest,
3 no. It wasn't -- wasn't handing out money or doing those
4 things that a bank would otherwise do, yeah.

5 Q. It -- it was not sending out statements, it was not
6 dealing with customers, it was shut down in April 2009.
7 Right?

8 A. Yeah.

9 Q. And certainly --

10 A. From a trading point of view, it was shut, yes.

11 Q. And certainly by August 2011 Stanford International
12 Bank was not in the banking business, it was shut down,
13 wasn't it?

14 A. It is not trading.

15 Q. And there was a question about selling assets and --
16 and so forth, and I need to ask you: You're aware, are you
17 not, that for the last two-and-a-half, maybe almost three
18 years, that this Receiver has been liquidating Stanford
19 assets via a process of motion with court approval? You
20 know that's been going on.

21 A. Yes.

22 Q. You know that this Receiver has liquidated many, many
23 assets of the Stanford enterprises. Right?

24 A. Yes.

25 Q. And that's one of the things you understand that

1 receivers are supposed to do --

2 A. Yes.

3 Q. -- liquidate assets.

4 A. Yes.

5 Q. And they're liquidating assets to hold them for
6 distribution to claimants. Right?

7 A. That's my mandated task, yes. I'm not sure what the
8 process is for a receiver.

9 Q. My question to you is, is it your understanding that
10 Mr. Janvey has been liquidating these assets and holding
11 those funds for the purpose of distribution to claimants?

12 A. I -- I presume that's the purpose. That's what I
13 presume his application for distribution approval from the
14 Court is for, yes.

15 Q. Okay. And you understand that's what receivers do.
16 Right?

17 A. Yes.

18 MR. SADLER: No further questions.

19 THE COURT: Thank you, sir. You may step down.

20 THE WITNESS: Thank you.

21 MR. REDMOND: Your Honor, we would call Hugh
22 Dickson to the stand.

23 THE COURT: Could you raise your right hand,
24 please, sir?

25 (The witness was sworn by the Court.)

1 HUGH DICKSON, SWORN,

2 DIRECT EXAMINATION

3 By Mr. Redmond:

4 Q. Would you please state your name for the record?

5 A. Hugh Dickson.

6 MR. REDMOND: Your Honor, before I move for the
7 admission of the direct testimony and the exhibits, we do
8 have a supplemental statement that I provided to Mr. Sadler
9 and other counsel. And if I could approach the clerk, I
10 could provide a copy of that to Your Honor.

11 THE COURT: All right.

12 (Document proffered to the Court.)

13 MR. REDMOND: Your Honor, very briefly, the
14 SIB, which we're here on the Chapter 15 proceedings today,
15 there's another Antiguan entity called Stanford Trust
16 Company, generally referred to as STC. Mr. Wide and
17 Mr. Dickson have been appointed as Receiver Managers in
18 Antigua over that entity on November 4th, 2011.

19 STC, or Stanford Trust Company, was an entity that held
20 a number of CDs on behalf of different depositors. And the
21 additional statement that's been worked on by Mr. Dickson
22 and Mr. Wide since their appointment as Receiver Managers,
23 that work is not complete, but this provides updated
24 information as to the allocation as to how the CDs within
25 STC were -- were held.

1 And this information was only recently completed in the
2 last 24 hours. And that's the reason we put the statement
3 together and provided the background information.

4 So with that, Your Honor, we would move to admit into
5 evidence the Joint Liquidators' direct examination, the
6 supplemental examination we provided, and the two exhibits
7 that accompany Mr. Dickson's direct examination.

8 MR. SADLER: There is no objection from the
9 Receiver.

10 THE COURT: All right. Then let's proceed with
11 cross.

12 MR. LITTLE: Thank you, Your Honor.

13 CROSS EXAMINATION

14 By Mr. Little:

15 Q. Good morning, Mr. Dickson.

16 A. Good morning.

17 Q. It's good to see you. I don't think we have actually
18 had the pleasure of meeting and this is the first time I
19 think you've actually been in one of our sessions.

20 A. I've met you once briefly, Mr. Little. I obviously
21 didn't make a big impression.

22 Q. Okay. Well, I'm sorry.

23 MR. LITTLE: Your Honor, the Court will be happy
24 to know that this supplemental stuff actually takes some of
25 my cross away.

1 THE COURT: I'm happy.

2 Q. (BY MR. LITTLE) Now, you've testified on direct that
3 SIB had 21,738 customers as of February 2009. Is that
4 right?

5 A. That's correct, yes.

6 Q. Okay. Now, is a customer a CD holder or simply a
7 holder of some form of account?

8 A. It would largely be a CD holder. There are various
9 different types of CDs. They may also have loans, credit
10 cards, but those would be parasitical on having a CD in
11 the first place.

12 THE COURT: Mr. Dickson, I'm having a little
13 trouble hearing you. If you could either pull the mic
14 closer or speak up a little bit, that would help. Thank
15 you.

16 Q. (BY MR. LITTLE) So is it fair for -- for all of us
17 to assume that all of these customers had at least one CD
18 issued by Stanford International Bank?

19 A. I -- the reason I'm hesitating is that there is a very
20 small number of depositors, including bank employees, have
21 quite small balances. I'm not sure if those were in the
22 form of CDs or not --

23 Q. Okay.

24 A. -- but largely yes.

25 Q. So -- so there may be a couple of folks at the very

1 margin who don't have CDs --

2 A. The vast majority would be CD holders, yes.

3 Q. Okay. Now, of the 21,738, you identify 4,212 customers
4 as being in the Caribbean. Is that correct?

5 A. Could I see a copy of my testimony for the detail?

6 Q. Sure.

7 MR. LITTLE: Have you got -- oh, sorry. I've got
8 his -- I've got his old note. I've got his stuff here.

9 Q. (BY MR. LITTLE) Let me see if I can find that for you.

10 A. It would be helpful if I could have both, Mr. Little,
11 actually since I'm sure you're going to ask me about the
12 revised numbers.

13 Q. I had actually assumed that your lawyers would give
14 you your testimony, a silly assumption on my part. I think
15 you'll find that at page 12 of your testimony, sir.

16 A. Sorry. Could you repeat the question, Mr. Little?

17 Q. Yeah. You identify that there are 4,212 customers,
18 quote, in the Caribbean, close quote. And that's at page 12
19 of your testimony, is it not?

20 A. I do.

21 Q. Okay. And when you say in the Caribbean, you exclude
22 Puerto Rico and the U.S. Virgin Islands from the Caribbean.
23 Correct?

24 A. Correct. Those are included in the U.S. figures.

25 Q. Okay. Now, you agree, do you not, that Stanford

1 International Bank was not permitted to accept deposits
2 from Antiguan residents. Correct?

3 A. Largely, yes. I think -- I believe there are some
4 minor dispensations for employees of the bank.

5 Q. Okay. And this new testimony you have provided tells
6 us that, in total, there were 31 individual residents of
7 Antigua who had accounts at Stanford International Bank.
8 Correct?

9 A. That is correct. Those would be a combination of
10 employees and foreigners, not Antiguan, living in Antigua.

11 Q. Okay. So what we might call expatriots?

12 A. Indeed.

13 Q. Okay. So roughly one-tenth of a percent of the
14 depositors were Antiguan by residence.

15 A. Yes, albeit you'll see from the rest of my testimony
16 there were also a number of Antiguan entities shown as
17 customers of the bank.

18 Q. And those are mostly trusts, are they not?

19 A. They are indeed.

20 Q. And those are trusts that you have not yet been able
21 to determine the location of vis-a-vis their beneficiaries.

22 A. Indeed. There's approximately 3,100-and-something
23 trust entities. We have managed to now identify the
24 ultimate beneficiaries of the majority of those. We still
25 have some 540-odd I believe, my recollection, still we have

1 not managed to complete that process.

2 Q. Okay. So out of 21,000 customers and roughly 3500
3 trust accounts, you've managed to identify 31 Antiguan
4 residents who are account holders and there's an outside
5 chance that there are a few other Antiguan residents in
6 those 500 trusts that you have not yet been able to get
7 inside of. Correct?

8 A. That is correct. And that would be entirely consistent
9 with it being an IBC in Antigua.

10 Q. Okay. Now, when you talk about the location of these
11 customers, how is it that you're determining location?

12 A. We determined the location by examining the bank's
13 accounting system and client records. Those contain
14 various elements of information about the identity of the
15 depositors.

16 The primary sort we use for identifying the point of
17 origin, if you like, of the customer was the country flagged
18 within the database attached to it. And that is largely
19 determined by the client information the bank obtained
20 when it did its Know-Your-Client process to identify clients
21 properly.

22 So it would effectively be their physical residence as
23 evidenced by the client when they opened the account.

24 Q. Okay. So you're not attributing an Antiguan location,
25 for example, to folks who had their mail held at the bank.

1 A. No.

2 Q. Okay. Let me turn my attention for a second to the --
3 to the other side of the coin. We've talked a little bit
4 about where the account holders are located in the world.

5 And your direct on that issue is that there are
6 approximately 20 -- 15 to 20 percent of the account holders
7 are in the U.S. Correct?

8 A. Approximately, yes, by -- from recollection, by head
9 count and possibly 22 percent by value.

10 Q. Okay. And I want to turn now to the question of how
11 the CDs were sold. Now, predominantly, the Stanford Inter-
12 national Bank CDs were sold via financial advisors.
13 Correct?

14 A. That is my understanding, yes.

15 Q. Okay. And those financial advisors were employed by
16 a variety of different Stanford entities around the world.
17 Correct?

18 A. Indeed. I also understand that there was some direct
19 agreements as well independent of other Stanford financial
20 entities.

21 Q. Have you investigated how many of those are, sir?

22 A. No, I have not.

23 Q. Okay. It's a minuscule number, don't you think?

24 A. Well, as a -- I'm an investigator. I can't decisively
25 comment, Mr. Little, but I assume the majority would be

1 through Stanford entities, yes.

2 Q. Well, you know that very few customers actually came to
3 the bank in the process of purchasing their CDs, do you not?

4 A. I understand that's the case, yes.

5 Q. Yeah. Maybe a couple hundred a year?

6 A. I couldn't comment.

7 Q. Okay. You have not reviewed the various declarations
8 submitted in this case by your predecessor --

9 A. I have not.

10 Q. -- Mr. Hamilton-Smith? Okay.

11 A. I have not.

12 Q. Well, those are in the record. The Court can look at
13 those.

14 Going back to the sales, Stanford Group Company here in
15 the United States was one of the entities that was selling
16 the Stanford International Bank CD. Correct?

17 A. I believe so. I understand that there are agreements
18 with a number of Stanford entities --

19 Q. Okay.

20 A. -- and beneath those Stanford entities were financial
21 advisors.

22 Q. Mr. Dickson, this is going to go a lot easier if you
23 just answer the question that I ask --

24 A. I'll try to be --

25 Q. -- and wait for my next one.

1 A. I'll try to be compliant, Mr. Little.

2 Q. Thank you. Because, see, you're getting ahead of me
3 because that's the next place I was going.

4 Stanford Group Company was a broker-dealer registered
5 here in the United States selling CDs for Stanford
6 International Bank. Correct?

7 A. I believe so, yes.

8 Q. Yes. And the CDs were also sold by financial advisors
9 employed by Stanford entities in Colombia. Correct?

10 A. I believe so, yes.

11 Q. Venezuela?

12 A. Yes.

13 Q. Mexico?

14 A. Yes.

15 Q. Panama?

16 A. Yes.

17 Q. Other jurisdictions around the world?

18 A. Other jurisdictions around the world, yes.

19 Q. Now, have you and Mr. Wide done any investigation
20 concerning how these various entities and the financial
21 advisors who worked for them ranked in terms of sales of
22 Stanford International Bank CDs?

23 A. We have not. However, I would assume, given the
24 records I have seen, that, by and large, the financial
25 advisor selling the CD would be in the country of the

1 depositor that then bought the CD. That would be typical.

2 Q. You have not investigated that, though.

3 A. I have not investigated it, no.

4 Q. Okay. Are you aware that Stanford International Bank
5 apparently kept scorecards tracking the sales of individual
6 financial advisors?

7 A. Yes, I am.

8 Q. Okay. And you have not done a study of those
9 scorecards, I take it?

10 A. I have not, no.

11 Q. Okay. Now, have you reviewed any of the testimony
12 that has been offered in this proceeding by the Receiver's
13 witnesses?

14 A. I have not.

15 Q. Okay. So you have not seen Ms. Van --

16 A. Sorry, sorry. Correction, Mr. Little. I read some
17 testimony from a Ms. Van Tassel yesterday.

18 Q. Okay. Well, that's exactly the person I was going
19 to ask you about because Ms. Van Tassel has -- has done
20 an investigation into the source of CD sales. And her
21 conclusion, you may recall, is that financial advisors
22 employed by the United States broker-dealer Stanford Group
23 Company were responsible for 42 to 48 percent of the
24 Stanford International Bank CD sales during 2007 and 2008.

25 Do you recall seeing that testimony in her direct?

1 A. I do.

2 Q. And you have not done any investigation that would
3 permit you to comment one way or the other upon the accuracy
4 of her testimony.

5 A. Correct. It would be speculation if I did.

6 Q. Okay. And you understand, of course, that her
7 investigation was based on tracking back the commissions
8 on those sales paid to those financial advisors.

9 A. I understand that, yes. How exactly she did it and
10 whether -- the degree to which she tracked the commission
11 down to the individual versus the company, I am not aware
12 of.

13 Q. Okay. And you have done no -- just to be clear, you
14 have done nothing to contradict or call into question her
15 numbers on sales.

16 A. No.

17 Q. Okay. Now, attached to your testimony as an exhibit
18 is a spreadsheet that summarizes various sums paid by
19 Stanford International Bank to various other Stanford
20 entities from 2000 to 2008. Is that right?

21 A. That's correct, yes.

22 Q. Would you turn to that for me, now, please?

23 A. I have done it.

24 Q. Okay. Now, the sums are paid out for management and
25 administrative fees, sales commission, and referral fees.

1 Correct? Those are the three big categories?

2 A. That and, as you will see further down, interest
3 expense as well.

4 Q. Okay. Now, interest expense, though, was that not paid
5 primarily to CD holders on their CDs?

6 A. I would assume so. I would also assume there would be
7 some leverage issues as well to the extent there was any
8 bank borrowing or --

9 Q. Okay.

10 A. -- brokerage arrangement.

11 Q. Okay. So -- so there may in fact be some dollars
12 transferred to other Stanford entities in that interest
13 line; we just don't know for sure.

14 A. We do not.

15 Q. Okay. Now, the management fees were paid to different
16 Stanford entities over the different years, were they not?

17 A. They were.

18 Q. Okay. 2007-2008, they were paid to Stanford Financial
19 Group Global Management, LLC. Is that right?

20 A. I couldn't comment positively on that.

21 Q. Okay. Let me --

22 MR. LITTLE: I didn't bring enough notebooks. All
23 the black notebooks in town were sold already.

24 (Documents proffered to the witness's counsel.)

25 Q. (BY MR. LITTLE) Mr. Dickson, what I have handed you is

1 Exhibit Number 1 from the testimony that has been submitted
2 by the Joint Liquidators from Ms. Beverly Jacobs. And that
3 is a 2007 report from Stanford International Bank, is it
4 not?

5 A. It is indeed.

6 Q. Okay. If you would turn in that document to page -- I
7 think it's 26. Do you have that?

8 A. Page 26, note 10, general and administrative expenses.

9 Q. Right. And if you look down there in the text, it
10 says, "Management fees consist of expenses related to the
11 marketing and service agreement in place with Stanford
12 Financial Group Global --"

13 THE COURT: Mr. Little, you need to slow down when
14 you're reading, please.

15 MR. LITTLE: I'm sorry. I do tend to do that when
16 I read.

17 Q. (BY MR. LITTLE) The text there says, "Management fees
18 consist of expenses related to the marketing and service
19 agreement in place with Stanford Financial Group Global
20 Management, LLC." Correct?

21 A. It does.

22 Q. And so that was the entity to which management fees
23 were being paid in '07. Correct?

24 A. According to this document, yes.

25 Q. Do you have any reason to believe that that's not the

1 entity that was getting the management fees?

2 A. No, I have no reasons to believe that, no.

3 Q. Okay. And those management fees were for apparently
4 "treasury-related functions, establishing and implementing
5 trading policy, client communications, research, marketing
6 and branding, government and public relations, technology
7 and other related administrative costs."

8 Did I read that correctly?

9 A. Yes, you did.

10 Q. Okay. Client communications, clients are the CD
11 holders. Right?

12 A. Yes.

13 Q. Okay. In prior years, prior to '07, these management
14 fees were paid to either Stanford Group Company or Stanford
15 Financial Group. Correct?

16 A. I believe so, yes.

17 Q. Okay. Both of those were based in Houston, were they
18 not?

19 A. You're challenging my recollection, Mr. Little. I
20 think it was either -- one was certainly Houston. I'm not
21 sure whether the other was Houston or St. Croix, but I think
22 you may be correct.

23 Q. Okay. I think actually Stanford Financial Group Global
24 Management was in the U.S. Virgin Islands. Correct?

25 A. That would make sense, yes.

1 Q. Okay. Now, according to your exhibit, in 2008 the
2 management fees paid to Stanford Financial Group Global
3 Management, LLC, was \$178,204,567. Correct?

4 A. That accords with my records, yes.

5 Q. Yes. In the prior year, that number was \$142,699,711.
6 Correct?

7 A. Correct.

8 Q. Okay. Now, SIB also paid referral fees relating to
9 the sales of the CDs, did it not?

10 A. It did.

11 Q. And those are also reflected on your exhibit, aren't
12 they?

13 A. They are.

14 Q. And in 2008 the bank paid referral fees, according to
15 your exhibit, of \$157,744,094. Is that right?

16 A. That's not correct. It's \$157,744,904.

17 Q. Okay. I get a little dyslexic on the last couple
18 numbers here. And in '07, the number was \$149,025,410.
19 Correct?

20 A. That's correct.

21 Q. Okay. So if my math is right, in 2008 Stanford
22 International Bank paid more than \$335 million in management
23 fees and referral fees to Stanford entities based in the
24 United States. Correct?

25 A. Correct.

1 Q. For that same year, SIB's payroll expense was about
2 \$3.5 million. Correct?

3 A. That'd be about right, yes.

4 Q. So basically 1 percent of what it was paying in these
5 referral and management fees.

6 A. That would be about correct. I think the exhibit
7 shows the remaining expenses which should include payroll
8 were 2 percent.

9 Q. Okay. Now, there was a bunch of back and forth with
10 your colleague, Mr. Wide, about the dollars that have been
11 drawn down in the UK -- out of the UK and how all that's
12 working.

13 And so we all understand, thus far you and Mr. Wide
14 have drawn \$10 million of the \$20 million that has been
15 authorized by the court in the UK. Correct?

16 A. I believe that's correct, yes.

17 Q. Okay. Now, Mr. Wide talked a little bit about this
18 Serious Fraud Office watchdog that is supposed to be
19 monitoring your expenses. How often do you-all submit
20 expense reports to the Serious Fraud Office?

21 A. I'm not sure what you mean by expense reports,
22 Mr. Little. Perhaps you would clarify.

23 Q. Well, I'm not sure what I mean, either, because I'm
24 just going on what I heard from Mr. Wide. But -- but I
25 heard from him for the first time that there is somebody at

1 the Serious Fraud Office who is looking at your expenses.

2 Is that correct?

3 A. Yes. At the risk of perhaps overanswering, we have
4 an obligation to report to the court and the Serious Fraud
5 Office on how we consume the money that we draw down. So we
6 have to periodically report back on how that money is being
7 expended. I believe that report is on a monthly basis.

8 And certainly prior to drawing down further increments
9 of money, we have to account for the monies already drawn.

10 Q. Okay. So as we sit here today, have you and Mr. Wide
11 submitted any of these reports to the Serious Fraud Office
12 and to the UK court with respect to what you have spent
13 this money on?

14 A. I don't deal with that aspect of the case myself
15 directly, but I believe I have seen recently a communication
16 through our UK lawyers doing exactly that, Mr. Little, yes.

17 Q. Okay. Do you know what period of time the report was
18 for?

19 A. I -- I couldn't comment without checking. Sorry.

20 Q. Okay. To date, you and Mr. Wide have not filed any
21 applications with the Antiguan court for approval of any
22 of your fees or expenses, have you?

23 A. We have not.

24 Q. Okay. Are you required to?

25 A. I'm not sure to be honest as a matter of Antiguan law,

1 but we would certainly do so as a matter of policy.

2 Q. Okay. You understand that this Receiver, before he can
3 pay Mr. Sadler or any of his other professionals, files an
4 application in this Court, subject to scrutiny and objection
5 from all sorts of folks, myself included, and then subject
6 ultimately to the Court's approval before he can pay a dime.
7 You understand that that's how it works here.

8 A. I believe that is the case in the United States, yes.

9 Q. Now, y'all are not subject to that kind of approval
10 process, are you?

11 A. I do not believe so in Antigua, no.

12 Q. Okay. You have in fact been paying legal fees to
13 Mr. Davis's firm and Mr. Kenney's firm and all these other
14 firms. Correct?

15 A. Indeed.

16 Q. And you've in fact been paying fees to your firm, Grant
17 Thornton.

18 A. Yes. We've drawn payments on account against our fees.

19 Q. Okay. And how much has Grant Thornton been paid to
20 date?

21 A. I would have to check, Mr. Little. I believe it would
22 be approximately a million dollars.

23 Q. Okay. And how much is unpaid but owed?

24 A. I -- I couldn't comment on that.

25 Q. Okay.

1 A. I'd have to check my records.

2 Q. Well, we heard some testimony earlier about burn rate.
3 What's your monthly burn rate right now?

4 A. I couldn't tell you.

5 Q. You have no idea?

6 A. I have no idea.

7 Q. Would Mr. Wide know that answer?

8 A. Mr. Wide would know that answer, yes.

9 Q. Okay. I guess we should have asked him.

10 Are you ever required to seek the Antiguan court's
11 approval of your fees and expenses? Or is it just done
12 in a backward-looking reporting sort of way?

13 A. I -- I have to tell you I'm not -- I'm not familiar
14 with the fee approval process in Antigua. I'd have to ask
15 my Antiguan counsel. What I can tell you is that my firm as
16 a matter of policy always gets court approval for its fees.

17 Q. But you haven't gotten approval for anything you've
18 been paid so far.

19 A. No. That's true.

20 Q. So when do you -- when do you seek this approval?

21 A. Periodically, Mr. Little. There's no point in going
22 to court every five minutes to get approval for fees.

23 Q. How about every three or four months?

24 A. All I can do is contrast that with practice in other
25 jurisdictions I operate in the Caribbean where six months

1 to a -- to a year is more typical for a -- for an interim
2 period or, alternatively, when you feel you have drawn a
3 significant volume of fees.

4 Q. Okay. Okay. Let's kind of switch gears now to the --
5 to the customer claims and how you-all are -- are dealing
6 with those or propose to deal with those.

7 You say in your direct testimony, I believe it's at
8 page 12, that the total amounts supposedly on deposit at the
9 bank in February of 2009 was approximately \$7.25 billion.

10 Correct?

11 A. Indeed.

12 Q. Okay. Now, you further say on that same page that
13 there's accrued interest included in that amount and that
14 that accrued interest has to be backed out. Correct?

15 A. Yes.

16 Q. Okay. And that interest is not recoverable by the
17 bank's investors. Correct?

18 A. We do not believe so, no.

19 Q. Okay. And -- and it's -- it's not recoverable because
20 it was fictitious. Correct?

21 A. We believe there was no basis for paying it, that's
22 correct.

23 Q. And that's because there was a Ponzi scheme going on.
24 Correct?

25 A. We're going to go into the definition of a Ponzi scheme

1 again. I believe Ponzi scheme is an indefinite term. I
2 think there's no dispute that there's a fraud going on.

3 Q. Well, we've accomplished that. Do you -- from your
4 investigation, have you determined that interest in
5 redemptions of CDs were being paid with new CD money?

6 A. It's highly likely they were, Mr. Little, because
7 there's very little alternative income generated by the
8 Estate. That's not to say there is none, which should be
9 the hallmark of a perfect Ponzi scheme, there's no external
10 income. There are investments made by the company in
11 variety of assets which are being congenerative. There's
12 obviously a considerable volume of fictitious assets as
13 well.

14 Q. Yes.

15 A. But, by and large, I would say it is true that people
16 who were repaid by the bank were repaid largely using other
17 people's money.

18 Q. Right. And that is what most folks view as a Ponzi
19 scheme, is it not?

20 A. It is.

21 Q. Okay. I just want to be -- I want us all to be clear
22 here because I heard Mr. Wide say two very different things.
23 In August, the bank was a Ponzi scheme. Today I heard him
24 say what I understood to be that the bank was a perfectly
25 fine little bank that was just getting its money stolen.

1 Which is it?

2 MR. REDMOND: We object. That's a misstatement of
3 the prior testimony.

4 THE COURT: Overruled. The Court will recall the
5 prior testimony rather than Mr. Little's characterization.

6 Q. (BY MR. LITTLE) So was the bank part and parcel --
7 I'll rephrase the question. Was this bank part and parcel
8 of a Ponzi scheme or is it a perfectly legitimate little
9 bank that was just having all its money stolen?

10 A. I think the problem Mr. Wide is -- is having in
11 differentiating between Ponzi and fraud--I'm speaking for
12 Mr. Wide; I'm speculating, I suppose--is that -- is to draw
13 a distinction between whether or not there's any normal
14 banking activity versus simple wholesale Ponzi straight-
15 forward theft. I mean, that's the problem.

16 I think neither myself nor Mr. Wide contest that this
17 is a fraudulent endeavor.

18 Q. Okay. There wasn't a whole heck of a lot of banking
19 activity outside of the CD sales in terms of dollar value,
20 was there?

21 A. On the customer side, clearly there's a fair amount
22 of banking activity because there has to be an operation
23 to take money from all these depositors.

24 On the asset investment side, we are somewhat
25 handicapped by the fact that we can see the money leaving

1 the bank and going into Stanford Guaranty Company and
2 others, but whereforth it goes from there, we have yet to
3 complete our investigations into that.

4 Q. That wasn't really my question so I'm going to try
5 again.

6 A. I'm sorry if I misunderstood.

7 Q. I wasn't trying to -- to contrast the taking of
8 deposits versus the management of the money once the bank
9 got it. What I was trying to contrast was the amount of
10 business represented by the CD sales, which I understand
11 to be north of \$5 billion. Correct?

12 A. I'm not entirely sure I understand your question.
13 Perhaps you can rephrase it.

14 Q. Well, let -- let me go at this another way. I believe
15 in your direct testimony or maybe it's in Mr. Wide's, one
16 or the other of you says that, over the course of a number
17 of years, some \$10 billion float into this bank.

18 A. Yes. It's in my testimony, Mr. Little.

19 Q. Okay. I knew I -- I knew I read it somewhere. Okay.
20 So of that \$10 billion, that was almost entirely CD money,
21 was it not?

22 A. Correct.

23 Q. Okay. Now, the amount of loans made as compared to
24 \$10 billion in CD money was marginal, was it not?

25 A. Yes, it was.

1 Q. The amount of credit card transactions was marginal,
2 was it not?

3 A. It would be a proportion of that, small proportion of
4 that.

5 Q. A tiny little proportion. Correct?

6 A. Correct.

7 Q. And the amount of accounts that were not CD accounts,
8 the dollars in those accounts, tiny proportion again.
9 Correct?

10 A. Correct.

11 Q. Okay. And so all this other banking activity is really
12 just minuscule compared to the \$10 billion that came in via
13 CD dollars. Correct?

14 A. That is correct. I suppose you could also say, though,
15 that of the real assets that have been identified by both
16 Estates, we're probably looking at something in the region
17 of \$550 million worth of realizable value which represents
18 real assets and investments made by the bank.

19 This comes back to my point about whether it's a pure
20 Ponzi scheme in which money is simply taken from people and
21 stolen --

22 Q. Or a 99 percent one?

23 A. Or 90 percent I think you would find is a more accurate
24 reflection.

25 Q. Okay. So this was at least 90 percent a Ponzi scheme.

1 That's your testimony.

2 A. Again, I hesitate to use the word "Ponzi scheme" simply
3 because I don't think it's a defined term. I've already
4 agreed that the vast majority of -- of the activity appears
5 to be fraudulent and new monies are used to pay existing
6 depositors.

7 Q. Okay. And that's at least 90 percent of the business
8 of the bank.

9 A. Yes.

10 MR. LITTLE: Pass the witness.

11 REDIRECT EXAMINATION

12 By Mr. Redmond:

13 Q. Mr. Dickson, Mr. Little asked you in regard to your
14 investigation in regard to the CDs and other related
15 information at Stanford International Bank. How long have
16 you been appointed as a Joint Liquidator at this point?

17 A. Joint Liquidator, I was appointed in May 13th, I
18 believe.

19 Q. And you took over for prior Joint Liquidators, Vantis,
20 that were removed, were -- were you not?

21 A. That's correct, yes.

22 Q. As part of your investigation in looking at the assets
23 of Stanford International Bank, were you able to -- did you
24 have substantial data from the prior liquidators that was a
25 benefit to you?

1 A. Very little.

2 Q. And why -- why was that?

3 A. We didn't find any evidence of systematic investigatory
4 activity by them or wholesale actions to track down and
5 recover assets.

6 Q. Mr. Dickson, when you are appointed liquidator in an
7 international cross-border fraud such as we have here, in
8 order to effectuate an accounting and recovery of assets,
9 is that a complex process?

10 A. It can --

11 MR. LITTLE: Leading.

12 THE COURT: Overruled.

13 THE WITNESS: It can be an extremely complex
14 process, yes.

15 Q. (BY MR. REDMOND) And how long have you been engaging
16 in this type of activities as a liquidator working on -- on
17 complex cases?

18 A. In terms of offshore-orientated entities, six years.

19 Q. In regard to determining the basic financial
20 information in regard to Stanford Bank -- Stanford Inter-
21 national Bank, what activities since your appointment have
22 you undertaken to try to reconcile the information in regard
23 to Stanford International Bank, such as the total CDs that
24 were bought, the total money paid out, and then effectuating
25 a tracing of the money that's unaccounted for?

1 A. Well, we've utilized the bank's existing records
2 and gone through those and cleaned them up to provide an
3 accurate analysis of the customer and depositor base.

4 We have commissioned a forensic team to come and take
5 proper images of the -- of the bank's electronic records
6 and prepare a -- a forensic examination of the same.

7 And we've started going through the records of the bank
8 to try and identify the cash that's transmitted out of the
9 bank. And to date I think we've, as I've indicated in my
10 testimony, identified some \$10 billion coming in, 5.6 going
11 out, and we're now looking for the missing 4.4, if you like.

12 Q. Mr. Dickson, have you conducted operations like this
13 before, trying to account and reconcile cases like this that
14 involve fraud?

15 A. Indeed. I'm currently involved in another very large
16 multibillion-dollar case in the Caymans with similar aspects
17 of missing assets and cross-border tracing involving in that
18 case, I think, some 11 jurisdictions.

19 Q. Can you describe to the Court why you're undertaking
20 the investigation in regard to identification of the assets
21 that were -- excuse me, the CDs that were acquired, the
22 funds were paid out?

23 A. I'm not sure I understand the question.

24 Q. When you're appointed as a liquidator, do you try
25 to go through and construct a -- an accounting and a

1 reconciliation of what occurred as part of the -- the
2 fraud scheme?

3 A. Yes. I think we -- the reasons for our exercise is
4 twofold. Firstly, we have to properly establish who the
5 creditors of the bank are because at some point in time
6 we'll have to run a claims process and deal with them
7 properly.

8 And the second aspect is to -- obviously to track down,
9 identify, and recover assets to maximize the Estate for the
10 benefit of those creditors.

11 Q. And, Mr. Dickson, at this point, since your appointment,
12 you've been able to reconcile the gross sale of CDs. Is
13 that correct?

14 A. That is correct, yes.

15 Q. And you've also been able, since your appointment,
16 to reconcile the amount paid out to CD holders. Is that
17 correct?

18 A. That is correct, yes.

19 Q. And so you've got a delta then you've identified
20 between those two factors, the money going in and the
21 money legitimately going out. Is that correct?

22 A. Yes, and that's approximately \$4.4 billion.

23 Q. And so what kind of investigation are you undertaking
24 in regard to the \$4.4 billion?

25 A. We've identified some 65 banker's boxes of -- of

1 records relating to the swift transfer of monies out of
2 the bank, and we've started an examination exercise of
3 those records.

4 We're also running a forensic examination both of the
5 bank's electronic records, indeed its transfer records, to
6 better identify where the -- where that 4.4 billion went.

7 Q. And, Mr. Dickson, do you think you have the records
8 available to conduct and determine where the 4.4 billion
9 went to?

10 A. I couldn't say that with any complete confidence
11 because whilst we have the transaction records for all the
12 money leaving the bank and leaving the bank accounts in --
13 in Canada and the UK, we are somewhat handicapped by not
14 having the detailed access to records we believe held by
15 the SEC Receiver dealing with the investment of the monies
16 that were misappropriated from the bank.

17 Q. So is the benefit of the protocol that may be
18 established between the Receiver and the Joint Liquidators
19 to share this information, to put the information together
20 to reconcile and obtain a complete accounting of where the
21 funds went?

22 A. I think that's absolutely essential, yes, on -- on both
23 counts. Firstly, we clearly have, I believe, far better
24 access to records on who the claimants are, the creditors
25 are, to deal with the claims process.

1 Secondly, whilst we can identify some \$4.4 billion of
2 monies leaving the bank, which includes the 1.3 billion
3 in management fees and referral fees, we don't have the
4 comprehensive records to track down where that money went.
5 And clearly it's either been expended legitimately, lost
6 in trading activities or speculation, or stolen.

7 And -- and to recover the -- to maximize the Estate
8 for the benefit of the creditors, we have to determine
9 where the money went.

10 Q. Okay. To the extent that your investigation of the
11 4.4 billion is completed, may that show the source of other
12 funds that are held by third parties and may be able to be
13 recovered for the benefit of victims?

14 A. Potentially, yes. We have already during the limited
15 period we have been in office managed to track down some
16 monies in Panama, for example, and recovered those sums.

17 Q. And what's your estimation of, if you have one,
18 as to how long this process will take to effectuate a
19 reconciliation of the overall funds that went through
20 Stanford International Bank?

21 A. That's an extremely difficult question to answer
22 without having a complete population of records. But
23 it's going to be a lengthy process, and that's for sure.

24 Q. Would six months to a year be a reasonable time period
25 at least to --

1 A. At least, with access to records and the ability to
2 interrogate those records in a sensible and coherent form.
3 We're talking about a considerable volume of transactions
4 after all with \$4.4 billion.

5 Q. Mr. Little addressed the issue of -- of how different
6 accounts were held at Stanford International Bank in regard
7 to residents' address, et cetera. Can you explain what
8 your investigation has shown about how the information was
9 kept at Stanford International Bank to identify who the
10 depositors are and where their primary location is?

11 A. Yes. The bank's -- the bank's records contain fairly
12 comprehensive in banking parlance Know Your Client, KYC,
13 records, which will identify individuals and ultimate
14 beneficiaries of the accounts right down to copies of
15 identification documentation, such as passports, IDs, that
16 sort of thing.

17 And the individual customer records, therefore,
18 contains details not only of the identity of the customer,
19 but they will contain additional information relevant to
20 that customer, such as the financial advisor that sold him
21 the CD and indeed mailing addresses, contact details, that
22 sort of thing.

23 And on top of that, we'll have the transaction records
24 for -- for each client, and so you can go back and look at
25 the client's balance, what monies they paid in, what monies

1 they received.

2 Q. Is there a file for each depositor?

3 A. There is.

4 Q. And in the United States, Know Your Customer isn't a
5 familiar term. Is that legislation generally in the British
6 jurisdiction?

7 A. I'm not sure it's generally in the British jurisdiction.
8 It's extremely common in offshore jurisdictions. It forms
9 part of anti-money laundering laws common to I think just
10 about every jurisdiction these days.

11 Q. Were you able to determine in your investigation
12 whether Stanford International Bank complied with the
13 Know-Your-Customer regulations?

14 A. As far as we can see, yes, it did.

15 Q. And you've personally reviewed some of the depositor
16 files to understand the scope and the makeup of how that's
17 structured?

18 A. A small selection. Clearly I don't look at 21,738
19 files, but we have a very large filing room in the bank
20 which for each customer has a sling or a document folder in
21 that -- in that room. And picking some at random and going
22 through them, they seem to be fairly comprehensively
23 completed.

24 On top of that, we have a database of all the customers
25 which can be interrogated. And if you access that at

1 random, you'll see fairly given customer all the necessary
2 information you need to identify their identities is there.

3 I think, as I commented on my revised testimony, we
4 have some hiccups in that process in relation to deposits
5 that are held through corporate entities or trusts. But we
6 have now managed to resolve most of those problems.

7 We're now down to some 500-odd accounts that we can't
8 positively yet identify the ultimate beneficiary without
9 going back to the manual record. If we identify the manual
10 records, I'm sure we'll get that.

11 Q. In your supplemental affidavit, you address Stanford
12 Trust Company. Can you describe for the Court what Stanford
13 Trust Company was and what purpose it served in regard to
14 Stanford International Bank?

15 A. Stanford Trust Company is a company that sets up and
16 managed, if you like, trusts for customers who wanted to
17 make investments via a -- a trust. So it is a company
18 management company, if you like, supervising the activities
19 or overseeing or acting as trustee on a large number of
20 trustee accounts opened by depositors.

21 Q. And going through those individual files will allow
22 you to determine who the principal in regard to that trust
23 is and their principal location. Is that correct?

24 A. That is correct. In fact, that's the reason for the
25 revisions to my testimony. We recently completed, within

1 the last 24 hours in fact, an analysis on exactly those
2 lines where we managed to identify ultimate customers who
3 were largely Latin American-based.

4 Q. In your -- in your investigation of the database of
5 CD holders, has your investigation produced any results
6 in which CD -- existing CD holders or actually CD holders
7 were actually shown to have a zero balance?

8 A. Indeed, and we have found some negative balances as
9 well, perhaps surprisingly enough.

10 Q. And do you have any estimation for the Court of how
11 many individuals either had a zero balance or negative
12 balance?

13 A. I'd have to go back to my records, but from -- from
14 recollection, it's approximately 4- or 5,000 accounts fell
15 into that category.

16 Q. And as a result of your review at this point from the
17 books and the records of Stanford International Bank, you
18 and Mr. Wide, will you be able to establish a -- an accurate
19 and valid claims base of -- of what depositors are owed by
20 Stanford International Bank?

21 A. We believe so, yes. The difficult element is going to
22 be reversing out the interest. That's going to be quite a
23 complex accounting exercise which might take some time. But
24 we are absolutely confident we can identify the claimants.

25 Q. Okay.

1 THE COURT: We are right at lunchtime. How are
2 you looking at time?

3 MR. REDMOND: It would probably be appropriate
4 to -- to recess at this point, Your Honor.

5 THE COURT: Okay. My quick back-of-the-envelope
6 accounting here shows the Joint Liquidators using 82 minutes
7 and the other side--I'm not quite sure what to call them
8 all--the other side, using 108 minutes. And if it's three
9 and a half hours per side, that's a budget of 210 total.
10 So we're more or less where you'd expect to be.

11 So we'll see you-all back at 1:30.

12 MR. REDMOND: Thank you.

13 (Lunch recess taken.)

14 THE COURT: Be seated.

15 Mr. Dickson, come on up, please.

16 I think we'll take a short break around 3:00 and then
17 a little bit of a longer break around 4:30, 4:30-ish,
18 3:00-ish, but somewhere in that vicinity. But I don't think
19 I can go the whole stretch with just one break. So we'll
20 try to do a shorter one and then a longer one.

21 Q. (BY MR. REDMOND) Mr. Dickson, when we were -- we
22 broke, we were discussing your investigation in regard to
23 Stanford International Bank.

24 In tracing and trying to account for assets that have
25 been unaccounted for at this point, is one of the aspects

1 that can be accomplished with that is also identification
2 of different causes of action that may arise because of the
3 investigation that you conduct?

4 A. Indeed. It'd be fairly typical in a case involving
5 fraud or embezzlement to look for potential causes of action
6 against parties who may have aided or abetted the fraud.

7 Q. And who -- as an example from your experience, what --
8 what individuals or activities would that encompass?

9 A. Well, typically in the offshore financial services
10 industry, you'd be looking at the auditors and the admini-
11 strators or managers of the fund, and sometimes also the
12 bankers that handle the cash.

13 Q. If those causes of action would arise outside the
14 United States, would a U.S. Receiver be able to initiate
15 actions in the overseas jurisdictions?

16 A. Well, I can't --

17 MR. LITTLE: Your Honor, this sounds a whole lot
18 like legal expert testimony as to what a receiver can do
19 in an unidentified foreign jurisdiction. I object.

20 THE COURT: Sustained.

21 Q. (BY MR. REDMOND) As a Joint Liquidator to bring these
22 actions, do you have standing?

23 A. I believe we have standing in Switzerland, United
24 Kingdom. We're seeking standing in Canada. At the moment
25 we have limited recognition in Canada.

1 Q. And have you been involved in prior proceedings in
2 obtaining recognition as a joint liquidator?

3 A. Other than this case?

4 Q. No, in other cases.

5 A. Yes, in a number of cases.

6 Q. And you understand the procedure to effectuate that
7 process?

8 A. I do. I think I'm currently recognized in about six
9 jurisdictions.

10 Q. And insolvency practitioners, it's a requisite,
11 provisions are set out, can be recognized in -- in foreign
12 jurisdictions.

13 A. I'm sorry. Could you repeat that question?

14 Q. Yes. Yes. Joint liquidators in insolvency
15 proceedings, is it generally possible to be recognized
16 in different jurisdictions?

17 A. It depends on the jurisdiction, but by and large, yes.

18 Q. As part of your investigation in regard to Stanford
19 International Bank, did you go back and determine how long
20 the bank had actually been operating in Antigua?

21 A. We did. To be honest, I can't remember the exact date.
22 It was sometime in the nineties when the bank transferred
23 to Antigua from Montserrat where it had been previously
24 established.

25 Q. So the bank itself was operating for approximately

1 18 years before all these -- 18, 19 years before the events
2 regarding the shutdown occurred?

3 A. As I said before, I can't remember the exact date, but
4 it's certainly in excess of ten years, yes.

5 Q. And during that period was it always known as Stanford
6 International Bank?

7 A. I believe it was originally known as Guardian Bank, and
8 it changed its name to Stanford International Bank at some
9 point.

10 Q. And during that 19 period -- 19-year period, was
11 it located -- was Stanford International Bank or its
12 predecessor Guardian Bank located in Antigua?

13 A. I'm not sure I understand that question, either. I'm
14 sorry.

15 Q. I'm sorry. I'll be glad to restate it. During the 19
16 years, 18, 19 years that the bank was operating either as
17 Guardian Bank or as Stanford International Bank, were its
18 headquarters always in Antigua?

19 A. As I said, I can't remember the exact date it relocated
20 from Montserrat to Antigua, but it had been in the early
21 nineties. So your time estimate, I would presume, is
22 correct or very nearly correct.

23 Q. Is there any indication that the bank was engaged in
24 any kind of fraud scheme during the entire 18-year period?

25 A. If you look at the pattern of activity of the bank's

1 accounting, there seems to be a substantial uptick in the
2 volume level of the activity towards '99, 2000, 2001.

3 When we decided to do our cost-back exercise, look
4 at how much money had been extracted -- extracted from
5 depositors, we chose to go back as far as 2001. Prior
6 to that point in time wasn't nearly the same volume of
7 activity going on.

8 Q. And so there may have been a period of time that
9 Stanford International Bank was operating as a fully
10 legitimate bank. Is that correct?

11 A. It's possible. I couldn't possibly comment on it.

12 Q. Okay. And you won't be able to really make that
13 evaluation until you complete your investigation?

14 A. To make that evaluation, I would have to go back and
15 look at the records dating back 19 years activity and
16 look at the evidence of assets and the -- the pattern of
17 activity that far back. We haven't done that so far.

18 I'm not entirely sure how it's germane to our duties
19 to engather the Estate and deal with the creditors that we
20 currently have, frankly.

21 Q. Mr. Little provided you with a copy of Exhibit BJ-1,
22 and do you have that still in front of you?

23 A. I do.

24 Q. Can you identify what that document is?

25 A. The cover states that it's the Stanford International

1 Bank Annual Report for 2007.

2 Q. Did Stanford International Bank from your investigation
3 prepare reports on an annual basis?

4 A. It did, yes.

5 Q. And from your investigation, were these reports
6 submitted to the CD holders?

7 A. I'm not aware of whether they were or not. I assume
8 they would be, however.

9 Q. Okay. And what's the purpose of an annual report
10 being issued by a financial institution?

11 A. The annual report obviously is meant to show the
12 financial position of the bank and then its -- and its
13 performance. It has a variety of uses, one of which would
14 be to reassure its customers that it was a solvent institu-
15 tion and was performing and capable of, you know, repaying
16 them their money, frankly.

17 Q. And what's the scope of information that an annual
18 report is supposed to -- supposed to convey either to the
19 bank's creditors or the depositors?

20 A. Well, there will be regulatory restriction on what an
21 annual report should contain. Depending on jurisdiction,
22 there'd be varying requirements for disclosure of informa-
23 tion, but typically at a minimum you'd be required to show
24 the financial position which would be the balance sheet
25 showing the assets and liabilities of the bank in summary

1 form, its cash flow and its profitability, its profit and
2 loss account or its income statement.

3 There would generally be then some detailed notes to
4 the accounts which would indicate amongst other things
5 the accounting policies and the nature of the assets and
6 particular accounting entries and then usually a descrip-
7 tion of the operations of the bank, what the bank, you
8 know, basically did as a business and how it proceeded
9 during the year.

10 Q. If a depositor or a CD holder wanted to have one
11 document the bank issues on a yearly basis to determine
12 its financial condition, would the annual report be such
13 a document?

14 A. Yes.

15 Q. Could you turn to page 16 of Exhibit BJ-1, which
16 there's two numbers at the bottom of the page. It's
17 either 16 is the report itself or it shows BJQ&A 57.

18 A. I'm looking at page 16 of the exhibit.

19 Q. And is that the note 3, risk financial -- or note 3,
20 Financial Risk Management?

21 A. No, it is not. Page 16 of the exhibit has note 2.6,
22 and it's marked BJQ&A 54.

23 Q. Okay. Let's go to page 57 at the bottom, Q&A.

24 A. Sorry. Which was the note number you're looking for?

25 Q. 3.3.

1 A. Yes, that's on the bottom of page 19 of the exhibit.

2 Q. Okay. And could you read the second paragraph of what
3 note 3.3 says?

4 A. "Antigua and Barbuda, West Indies, is the Bank's domi-
5 cile. The Bank has also maintained a representative office
6 in Montreal, Canada, since December 2004. The Bank has in
7 excess of 50,000 depositors and clients from more than one
8 hundred countries around the world. The Bank's certificates
9 of deposit and other investment accounts are primarily
10 denominated in U.S. dollars, British pounds/sterling, euros,
11 and Canadian dollars."

12 Q. Would such a note as 3.3 be contained in each of the
13 annual reports for the various years?

14 A. I can't say I have read every single annual statement,
15 but I assume so, yes.

16 Q. Okay.

17 A. I should add to that comment that I see the note is
18 headed Geographical Concentrations of Assets, Liabilities,
19 and Off-Balance Sheet Items. As such, this is disclosure
20 note on -- and would be a typical recurring disclosure
21 notes in a set of financial statements.

22 Q. Okay. So these are the typical information that
23 is provided to depositors and CD holders in a financial
24 statement such as this?

25 A. Yeah. Amongst others, yes.

1 Q. Okay. Mr. Dickson, you related earlier that, in regard
2 to your evaluation of Stanford Trust Company, that you're
3 able to identify the holders and residences, the primary
4 address, of the individuals who had the Stanford Trust
5 Company structures. Is that correct?

6 A. Yes.

7 Q. And were you able to determine how many holders or
8 what percentage of holders were from the United States in
9 regard to Stanford Trust Company?

10 A. From recollection, there were none.

11 Q. I'm sorry?

12 A. None.

13 Q. And in evaluating the CD holders of Stanford Inter-
14 national Bank with this additional information, did you
15 then factor in the -- the Stanford Trust Company factors
16 to look at those two in a joint fashion?

17 A. Yes, I did. I was conscious that my original written
18 direct testimony showed a significant proportion of Antiguan-
19 based creditors which were based on allocating Antigua as
20 the domicile or point of origin of Antiguan trusts shown
21 under STC. There were some 2,600 accounts.

22 So I determined that it would be appropriate, using
23 the new information available, to reallocate those to the
24 appropriate jurisdictions in which the customers were
25 actually based.

1 Q. What did that information, that consolidated informa-
2 tion that you recently prepared, show in regard to holders
3 of accounts in the United States?

4 A. There were no holders in the United States of STC-
5 related Antiguan trusts at all. In going through the STC
6 records, we did detect a few errors in the -- the SIB
7 records. And so in adjusting the numbers, we actually
8 marginally reduced the number of American depositors, but
9 it was by a small amount, less -- certainly less than one
10 percent of the distribution.

11 Q. Okay. So if you reduced the amount of individuals
12 from Antigua and Barbuda, where -- where do those -- where
13 do those accretions go if -- if Antigua was reduced?

14 A. The vast majority of them turned out to be Venezuelan,
15 Mexican, or Colombian depositors.

16 Q. Okay. And so the percentages the United States made
17 about the same then with these additional calculations?

18 A. Yes. As seen on the -- in my additional testimony,
19 that the percentages by -- by head count and by deposit
20 value of the United States reduced marginally.

21 The percentages for Latin American countries increased
22 significantly. From recollection, without looking at my --
23 my testimony, I believe there was an 11 percent movement
24 in head count from Caribbean area to Latin America and a
25 16 percent value movement.

1 So, for example, again speaking from memory, I believe
2 the -- the original testimony indicates some 43 percent
3 of the depositor value is originally thought to be Latin
4 American and that it went up to some 59 percent.

5 Q. So 59 percent of all CD holders were from Latin
6 America?

7 A. Indeed.

8 Q. And what was the percentage from the United States?

9 A. From recollection, approximately 15 percent by value --
10 sorry, by -- by head count and 22 percent by -- by number.

11 Q. Okay.

12 MR. REDMOND: Your Honor, I have no further
13 cross-examination at this time. For the record, though, I
14 would like to make sure that the prior exhibits that we've
15 tendered and the testimony we've tendered has actually been
16 admitted into evidence. I'm not sure if the Court has made
17 a specific ruling on that issue.

18 THE COURT: The testimony, yes. The exhibits I
19 think we probably want to chat a bit about. If both sides
20 are going to accept the other's wholesale, that's fine. If
21 you-all think you need an opportunity to file objections
22 and have me rule on them, that's fine, too. I just need to
23 get a clear understanding of collectively what the ground
24 rules are.

25 MR. REDMOND: Yes.

1 MR. SADLER: And our view is we're willing to
2 accept all the paper that they want to offer obviously if
3 it's reciprocal so that we don't bog down the Court with
4 exhibit objections. That's how we'd be happy to proceed.

5 MR. REDMOND: Well, Your Honor, we have made
6 offers to admit the various exhibits into evidence from
7 each of the parties. And if the Receiver has an objection,
8 it would be appropriate to hear that so we could then
9 address those.

10 THE COURT: I think I'll probably -- if you want
11 to do objections, I'll deal with those after the fact.

12 MR. REDMOND: Okay.

13 MR. SADLER: Thank you, Your Honor.

14 MR. REDMOND: Thank you, Your Honor. Pass the
15 witness, Your Honor.

16 MR. DAVIS: Your Honor, we call Beverly -- oh,
17 I'm sorry. I'm sorry, John.

18 MR. LITTLE: That's fine. I don't sneak up
19 anywhere, really. I'm not very good at sneaking up.

20 RECROSS EXAMINATION

21 By Mr. Little:

22 Q. Mr. Dickson, just a new final questions. First,
23 Mr. Redmond asked you about whether you were aware of any
24 evidence that Stanford International Bank was involved in
25 a fraud or illegal activity going back to when it first

1 moved over to Antigua. Do you recall his question?

2 A. I do.

3 Q. You're aware, are you not, that Mr. James Davis has
4 pled guilty in the criminal proceedings against him in
5 this case?

6 A. I am.

7 Q. Have you seen his guilty plea?

8 A. I have not.

9 Q. Okay. Mr. James Davis was the CFO of Stanford
10 International Bank. Correct?

11 A. I understand that's the case, yes.

12 Q. Okay. And you understand that he has said in his
13 guilty plea that the bank was a Ponzi scheme from day one,
14 do you not?

15 A. I have not seen his guilty plea.

16 Q. Okay. Let me ask you to look back at that -- that
17 exhibit that Mr. Redmond was just asking you about, the
18 BJ-1, and go right back to that page 19 that y'all were
19 looking at. This is the 2007 statement of Stanford
20 International Bank. Correct?

21 A. Yes.

22 Q. The entire thing is a lie, is it not?

23 A. I'm not sure you could say the entire thing is a lie.
24 Clearly, there's a massive misrepresentation of the finan-
25 cial position of the bank.

1 Q. Well, let's start with Financial Risk Management, the
2 first thing they say. "The strategy of the Bank is to
3 efficiently manage its assets and liabilities. In this
4 process, assets primarily consist of securities and, to a
5 lesser degree, client credits that are matched in premium
6 and timing."

7 That's a lie. Right? Your investigation tells you
8 that's a lie.

9 A. Yes. Certainly the bank did have some securities and
10 investments, but I saw no evidence of matching --

11 Q. Let's go to the next paragraph.

12 A. -- of assets to clients, and indeed we believe that the
13 assets are overstated. So there is no inherent matching.

14 Q. Let's go to the next paragraph. "The Bank's investment
15 portfolio maintains a stable and well-balanced structure
16 due to a high proportion of fixed-income investments and
17 a diversified investment advisory network resulting in an
18 optimum diversification process."

19 That, too, is a lie, is it not?

20 A. Yes.

21 Q. But we're supposed to believe the little bit down here
22 about domicile and everything else when the whole page is a
23 lie. Right? That's your testimony.

24 A. I think it's quite one thing to point to individual
25 items and say whether or not they are lies. You can't

1 extrapolate from that to say the entirety of the document
2 is necessarily a lie. And the point of its domicile is a
3 matter of fact, not a matter of invention.

4 Q. Turn over to page 21, if you would. Either you or
5 Mr. Wide has said in your direct, I don't recall which one,
6 but you have talked some about the outstanding loans the
7 bank had to Mr. Stanford. You're aware of those. Right?

8 A. I understand that the Receiver believes it's some
9 1.8 billion of loans. I have seen no evidence of that.

10 Q. You have seen no evidence of those loans?

11 A. No, because we have very limited information at the SIB
12 level of what STC did with the money that it extracted from
13 the bank.

14 Q. Oh. So you think Mr. Stanford borrowed the money via
15 STC, is what you're saying?

16 A. No. I'm saying I have no direct evidence and am not
17 in a position to comment on whether Mr. Stanford borrowed
18 any money or not.

19 Q. Okay. If you'd look at the Concentration of Assets,
20 Liabilities, and Off-Balance Sheet Items--it's up there at
21 page 21 of 27--do you see that?

22 A. Sorry. Whereabouts are you on the page?

23 Q. The chart there, Concentration of Assets, Liabilities,
24 and Off-Balance Sheet Items?

25 A. The table, yes, I have that.

1 Q. That entire chart is a fabrication, is it not?

2 A. Not in its entirety, no.

3 Q. Okay. Tell me what part of it isn't.

4 A. There is cash and deposits with other banks. We
5 have -- clearly we have some \$350 million of assorted assets
6 across a variety of jurisdictions. Those would include
7 cash, financial securities in forms of equities, and hedge
8 fund investments, and investments in land, amongst --
9 amongst others.

10 Q. Okay. How about that 4,755,000,000 number in financial
11 instruments at fair value? That's a lie, isn't it?

12 A. Again, we would have some financial instruments but
13 nowhere near that -- that quantity, no. The true --

14 Q. Not even within 90 percent of that quantity. Correct?

15 A. Not even within 90 percent of the quantity, correct.

16 Q. Let me close with a couple of -- you talked a little
17 bit with Mr. Redmond about the protocol that the Joint
18 Liquidators proposed. Is there any reason today that Mr.
19 Janvey couldn't agree simply to let the Joint Liquidators
20 have access to information that he has available without
21 Chapter 15 recognition?

22 A. Well, that would be for Mr. Janvey. I know of no
23 reason why he shouldn't provide that information, no.

24 Q. As far as you know, he can do that.

25 A. As far as I'm aware, he could, yes.

1 Q. Okay. Is there any reason today that you and
2 Mr. Wide can't go to the court in Antigua and ask that
3 court to allow you to give Mr. Janvey information without
4 Chapter 15 recognition?

5 A. I believe that would be possible, yes.

6 Q. Okay. Now, the protocol talks about the courts talking
7 to each other and all this. There's kind of a problem with
8 that, though, isn't there? Antigua doesn't recognize the
9 Model Law on Cross-Border Insolvency, does it?

10 A. It does not.

11 Q. It doesn't have UNCITRAL rules.

12 MR. REDMOND: Your Honor, the UNCITRAL Model Law
13 is a legal document. This calls for a legal conclusion on
14 the part of this witness.

15 THE COURT: Sustained.

16 Q. (BY MR. LITTLE) You have been practicing in the area
17 of insolvency in the Caribbean for the last how many years?

18 A. Six.

19 Q. Okay. And you are familiar with the various juris-
20 dictions and how they approach the Model Law and the
21 UNCITRAL rules.

22 A. A number of them, yes. Not all of them, of course,
23 approach the Model Law UNCITRAL, and I think I have a
24 fairly good understanding of how they approach the concept
25 of recognition, however.

1 Q. And the fact is, in the original order rejecting Mr.
2 Fundora's petition to appoint Mr. Wide and rejecting Mr.
3 Janvey's attempt to get recognized, the Antigua court says
4 Antigua does not recognize the UNCITRAL rules and we do not
5 have an equivalent to Chapter 15 recognition. Isn't that
6 correct?

7 A. I have not seen that order.

8 Q. Okay.

9 MR. LITTLE: Nothing else, Your Honor.

10 THE COURT: Thank you, sir. You may step down.

11 MR. DAVIS: Now, Your Honor, we would like to call
12 Beverly Jacobs to the stand. And, Your Honor, we will not
13 be calling Omari Osbourne to the stand.

14 THE COURT: Could you raise your right hand,
15 please?

16 (The witness was sworn by the Court.)

17 BEVERLY MARIA ANN JACOBS, SWORN,

18 DIRECT EXAMINATION

19 By Mr. Davis:

20 Q. Can you state your name for the Court, please?

21 A. Beverly Maria Ann Jacobs.

22 MR. DAVIS: Your Honor, we hereby move Ms. Jacobs'
23 direct testimony and all the exhibits attached thereto into
24 evidence and tender her for cross-examination.

25 THE COURT: All right.

CROSS EXAMINATION

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By Mr. Little:

Q. Ms. Jacobs, tell the Court what your last job was before the bank closed down.

A. I was Vice President of Customer Support.

Q. And customers are the -- the depositors, the CD holders. Correct?

A. Correct.

Q. Okay. Now, typically new customers would be presented to the bank through a financial advisor. Correct?

A. Correct.

Q. Okay. And that financial advisor was the person who would meet with the customer, prepare the necessary paperwork, and forward that paperwork to the bank for processing. Right?

A. Correct.

Q. Okay. If you would turn to tab 1 in that notebook. That's an account application form. Correct?

A. Yes, it is.

Q. Okay. And that is an example of the form that a financial advisor would fill out with a new customer in order to start the process of opening an account at the bank. Correct?

A. That is right.

Q. Okay. The next tab, tab 2, your Exhibit 5, that's a

1 signature card from the bank.

2 A. Yes, it is.

3 Q. Uh-huh. And that signature card is another document
4 that a new customer, sitting with his financial advisor in
5 the United States or Venezuela or Colombia or Mexico or
6 Panama or somewhere, would fill out and the financial
7 advisor would send it on to the bank. Correct?

8 A. Yes.

9 Q. Okay. At tab 3, if you'd look at that, please, there
10 are three different forms in there that are titled due
11 diligence reports of varying kinds. Correct?

12 A. Yes.

13 Q. And I know you were sitting here while Mr. Dickson was
14 testifying. He talked some about Know Your Customer forms?

15 A. Yes.

16 Q. Did you hear that?

17 A. Yes.

18 Q. This due diligence report is that Know Your Customer
19 form, is it not?

20 A. Yes, it is.

21 Q. Okay. And this form was to be completed by the
22 financial advisor. Correct?

23 A. Yes, having interviewed the -- the client.

24 Q. Right.

25 A. Uh-huh.

1 Q. But he didn't just hand this to the client. The actual
2 financial advisor filled this thing out and sent it into the
3 bank. Correct?

4 A. Yes, he would have.

5 Q. Uh-huh. Okay. Now, let's look now over to tab 4, your
6 Exhibit 8. This is titled SIBL Addendum. SIBL is Stanford
7 International Bank, Ltd. Correct?

8 A. Yes, it is.

9 Q. Okay. This is yet another form that the financial
10 advisor would fill out with respect to a new customer in
11 order to process the paperwork and send it on to the bank.

12 A. Correct.

13 Q. Okay. Let me ask you to turn to tab 5. I want to
14 spend a little bit more time on that form than we have
15 on these other ones. This is an online access service
16 application for the bank. Correct?

17 A. That is right.

18 Q. And this is a form that would be filled out so that
19 a customer could access their account information via
20 internet. Right?

21 A. Correct.

22 Q. Okay. And in your direct testimony, you highlight
23 for the Court, and you can -- you can follow along with
24 me, it's page 31 of your direct testimony --

25 A. Uh-huh.

1 Q. -- you highlight for the Court the fact that there is a
2 client service telephone number in Antigua that a customer
3 could call if they have technical difficulties with their
4 online access. Is that right?

5 A. That is right.

6 Q. Okay. Now, let's look at a couple other aspects of
7 this form. First, at the very top, it makes it clear where
8 it says "to apply," are you with me there on the first page
9 of the form, to apply?

10 A. Not there yet.

11 Q. Let me see if I can help you out here.

12 A. Yes, I'm here. Uh-huh.

13 Q. Here we go. To apply, the investor needs to provide
14 the information requested and return the executed form to
15 the bank via the financial advisor. Correct?

16 A. Yes.

17 Q. Couldn't send it straight to the bank. Had to go to
18 the financial advisor.

19 A. No, not necessarily. You could have sent it directly
20 to the bank as well.

21 Q. Okay. But the instruction says give it to the --

22 A. Yes.

23 Q. -- financial advisor. Okay. Now, it says again, I
24 think a little later down in the document, that you need to
25 give the document to the financial advisor, right there at

1 the bottom, "This Agreement contains terms and conditions
2 that apply and constitute an agreement regarding your
3 participation in SIB-Direct. By executing this Agreement
4 and sending it to your financial advisor, you agree...."

5 Do you see where I'm reading from?

6 A. I see that, yes.

7 Q. Okay. Now, if we turn to the top of the second page,
8 you talk about -- your direct talks about needing technical
9 assistance. But here on the second page, the customer is
10 instructed to "contact your Financial Advisor immediately
11 if you suspect an unauthorized person has knowledge of
12 your online password, or if you think your account has been
13 compromised in another manner." Correct?

14 A. I see that, yes.

15 Q. It goes on to say that you not only have to telephone
16 your financial advisor, but you have to immediately send
17 the financial advisor a letter about this problem. Correct?

18 A. Yes, that's -- that's right.

19 Q. It doesn't say bank. It says financial advisor.

20 A. Yes, correct.

21 Q. Okay. Now, moving down a little bit further, the
22 heading User ID and Password --

23 A. Yes.

24 Q. -- the form says, "Upon receipt and validation of this
25 executed Agreement, your Financial Advisor will provide you

1 with the website address." So the bank doesn't even send
2 the customer the web address. The financial advisor does
3 that. Correct?

4 A. That's what it says here, yes.

5 Q. And that's how it worked. Right? It not only says
6 that, but that's how it actually worked.

7 A. Not entirely so upon my recollection. Once a customer
8 submitted -- and I'm not trying to get ahead of you, but
9 once this form came in and signature was verified and it was
10 appropriate to go ahead and -- and process the application,
11 then the password would have been sent via e-mail directly
12 to the client.

13 Q. The password would have been sent.

14 A. Yes.

15 Q. But not the web address.

16 A. I cannot recall completely if the web address was
17 included --

18 Q. Okay.

19 A. -- in that e-mail.

20 Q. The form tells us --

21 A. It may have been, but --

22 Q. -- the answer to that.

23 A. Okay.

24 Q. The form tells us the financial advisor is getting
25 that.

1 A. Sure.

2 Q. Okay. And then, finally, on the bottom of page 3, of
3 course, we require the financial advisor to sign off on the
4 form, do we not?

5 A. Yes.

6 Q. Okay. Now, let's turn to, if you would, to tab 6,
7 which is your Exhibit 16. And this isn't a very good copy
8 that I have.

9 A. Okay.

10 Q. But down at the bottom, I see what appears to be a
11 signature line for the financial advisor.

12 A. Yes.

13 Q. Okay. So the financial advisor has to sign off on the
14 loan request.

15 A. Not necessarily. It's there as an acknowledgment that
16 the financial advisor is aware that the referral is asking
17 for a loan.

18 Q. Okay. And typically when clients and customers asked
19 for loans, did they typically go through their financial
20 advisor?

21 A. Yes, their request would have been -- well, could have
22 been sent via the financial advisor.

23 Q. Okay. Okay. Let's talk a little bit about the extent
24 to which actual CD customers had contact with the bank.

25 From year to year, some folks did actually come to the bank

1 to transact business. Correct?

2 A. Yes.

3 Q. Okay. And if I recall your direct correctly, when the
4 bank was first put into I guess -- when the bank proceeding
5 was first started, Mr. Hamilton-Smith, Mr. Wastell were
6 appointed, you went from an employee of the bank to an
7 employee of those fellows.

8 A. Well, an employee of Stanford International Bank in
9 liquidation.

10 Q. Okay. The bank in liquidation being run by those guys.

11 A. They were the liquidators.

12 Q. Okay. And I take it that you worked with Mr. Hamilton-
13 Smith to help him get up to speed on the bank's customer
14 base and how the bank operated. Correct?

15 A. Yes, in a limited way.

16 Q. Okay. Are you aware that Mr. Hamilton-Smith has
17 testified in some things he's filed in this case about the
18 numbers of folks who came to visit the bank in any given
19 year?

20 A. No. I'm not aware.

21 Q. Okay. He testified in one of his declarations that
22 some 240 clients visited the bank during 2007. Does that
23 sound about right?

24 A. I couldn't answer that.

25 Q. Okay. Well, let me ask you to look at tab 8, I

1 believe it is, at page 12 of that tab. And if I have done
2 this right, there should there be some testimony from Mr.
3 Hamilton-Smith about visitors -- no, I'm on the wrong page.
4 All right. I've lost that. We're just going to skip that.

5 Moving to another issue, when money came into the bank,
6 it was then shipped out predominantly to the United States
7 and it was managed there. Correct?

8 A. Are you referring to check deposits or wire transfers?

9 Q. CD deposits, the money came in and went out to the
10 United States for management by Mr. Davis's group. Correct?

11 A. If it was a wire transfer that came in, it would have
12 been sent to a corresponding bank. If it was in U.S.
13 dollars, the Toronto Dominion Bank.

14 Q. Okay. And I'm not really -- I'm not talking so much
15 about the deposit side.

16 A. Uh-huh.

17 Q. I'm talking now about the money management side --

18 A. Okay.

19 Q. -- about what -- how the bank's money was invested.

20 A. Okay.

21 Q. The investment function, the treasury function was
22 handled in the United States by Mr. Davis's group, was it
23 not?

24 A. Yes.

25 Q. And that was Mr. Davis and Ms. Pendergest and their

1 staffs.

2 A. Yes.

3 Q. Okay. And the treasury folks in Houston were
4 responsible for seeing that the bank had sufficient money
5 on hand to cover maturing CDs and projected withdrawals.
6 Right?

7 A. Yes.

8 Q. Okay. And those same folks working for Mr. Davis and
9 Ms. Pendergest were responsible for investing the bank's
10 funds. Correct?

11 A. Yes.

12 Q. And the bank, as I understand your direct, received
13 statements from these various investment accounts that
14 were being managed by Mr. Davis's group. Right?

15 A. From my understanding, they did come, although they
16 were, I guess, held for them and not available to staff of
17 the bank.

18 Q. Okay. So you anticipated my next question. Nobody --

19 A. Sorry.

20 Q. Nobody on the bank staff -- no, that's okay. Nobody on
21 the bank staff in Antigua actually reviewed the investment
22 account statements. Correct?

23 A. I don't know that anybody did.

24 Q. Okay. They were held for Mr. Davis's group.

25 A. As far as I'm aware.

1 Q. Yeah. And I think your testimony was that they were
2 filed away and further reviewed and processed by SFG.
3 Correct?

4 A. Yes.

5 Q. And SFG is Stanford Financial Group.

6 A. Yes.

7 Q. And that's the folks in Houston.

8 A. Yes.

9 Q. Okay. I want to spend a few minutes with you talking
10 about your testimony about the events that occurred in
11 February of 2009, really starting late 2008 into February
12 of 2009.

13 A. Uh-huh.

14 Q. You described the late 2008 stretch as a run on the
15 bank. Is that correct?

16 A. Yes. Correct.

17 Q. Okay. People were getting nervous about the bank and
18 their money.

19 A. Yes, and they were making withdrawals.

20 Q. Yeah.

21 A. Uh-huh.

22 Q. And you further testified that there was a backlog of
23 approximately \$100 million in customer withdrawal requests.

24 A. Yes.

25 Q. Okay. And you said the bank had made numerous requests

1 for additional money to Mr. Davis and the people handling
2 the treasury function for the bank's investments. Is that
3 correct?

4 A. Yes.

5 Q. And Mr. Davis is James Davis, the CFO.

6 A. Yes.

7 Q. And all those folks were in the United States.

8 A. Correct.

9 Q. So is it correct that no one located in Antigua had
10 the ability to free up the bank's money to meet the backlog
11 of customer demand for their money?

12 A. I believe that would be a fair statement.

13 Q. Okay.

14 A. The treasury function was handled by SFG.

15 Q. Okay. Mr. Tolentino couldn't free up the money.

16 A. I don't believe he could.

17 Q. Okay. Now, during that run on the bank and when you
18 had that backlog --

19 A. Uh-huh.

20 Q. -- were you able to distribute some funds to some
21 folks?

22 A. From my recollection, yes.

23 Q. Okay. Did you get any instruction from Houston as to
24 which of those customers should get their money back and
25 which ones shouldn't?

1 A. No.

2 Q. How did you decide which folks got their money back
3 and which ones didn't?

4 A. It was a matter of the value date of the transaction.
5 So, for example, if there was a withdrawal that was
6 scheduled for the 25th of December and another that was
7 scheduled for the 27th of December, then the 25th would
8 take precedence.

9 Q. So it was strictly chronological.

10 A. It was a value dating, yes.

11 Q. Okay. Do you recall your testimony as to the scene at
12 the bank on or around February 17th of 2009?

13 A. I do.

14 Q. I think you used the word "madhouse." Correct?

15 A. It was.

16 Q. Okay. You said there were approximately 150 folks
17 who showed up personally over the course of a few days?

18 A. Correct.

19 Q. Okay. And at any point during those couple of days,
20 did you go out and speak to those customers?

21 A. Not as a group, but I did speak with individuals, yes.

22 Q. Okay. Do you recall Sascha Mercer going out and
23 speaking to the customers as a group?

24 A. Yes, I do.

25 Q. Ms. Mercer was the senior protocol officer --

1 A. Yes.

2 Q. -- for the bank. Correct?

3 A. She was.

4 Q. And her job was to promote and maintain the company's
5 image. Right?

6 A. Yes.

7 Q. Okay. Do you remember Ms. Mercer telling those
8 assembled customers that the bank was waiting for Houston
9 and the SEC to tell it what it was supposed to do?

10 MR. DAVIS: Objection, hearsay, Your Honor.

11 MR. LITTLE: I don't know how it's hearsay, Your
12 Honor, if it's an employee of the bank making a statement.

13 THE COURT: Overruled.

14 THE WITNESS: No, I don't, because I -- I am aware
15 that she would have made some sort of statement to the
16 customers. I did not hear it myself.

17 Q. (BY MR. LITTLE) Would you be surprised if what she
18 said was, we're waiting for Houston and the SEC to tell us
19 what to do?

20 A. Yeah, I would have been surprised about that.

21 Q. Okay. The bank never got any answers or any money from
22 Houston in February of 2009 to satisfy these customers, did
23 it?

24 A. No.

25 Q. Okay. In fact, none of the customers who came to the

1 bank on February 17th, 2009, were able to withdraw their
2 money, were they?

3 A. No, they were not.

4 Q. Okay. And, in fact, there have not been any
5 withdrawals from the bank since prior to February 17th
6 of 2009. Correct?

7 A. Prior to February 17th?

8 Q. Yes.

9 A. I believe there would have been some withdrawals at
10 some point in time prior to February.

11 Q. So maybe the 16th, 15th?

12 A. No. I don't think that late in the game --

13 Q. Okay.

14 A. -- there were any withdrawals.

15 Q. So certainly at some point early in February,
16 withdrawals stopped.

17 A. Yes, that's fair to say.

18 Q. The bank hasn't received any new deposits since
19 February 17th of 2009, has it?

20 A. No.

21 Q. Has the bank issued any new credit cards to customers
22 since February 17th, 2009?

23 A. No, we haven't. No.

24 Q. Have you made any new loans to customers since
25 February 17th, 2009?

1 A. No.

2 Q. Have you issued any letters of credit or letters of
3 guarantees since February 17th, 2009?

4 A. The bank operations have ceased since February 17th.
5 So --

6 Q. The bank was shut down on February 17th, 2009.

7 A. Yes. So --

8 Q. It has ceased to be a bank.

9 A. There were no further transactions.

10 Q. It -- it was out of business.

11 A. Operations did cease.

12 MR. LITTLE: No further questions, Your Honor.

13 REDIRECT EXAMINATION

14 By Mr. Davis:

15 Q. Ms. Jacobs, when a customer purchased a CD, Mr. Little
16 pointed out that many of them went through financial
17 advisors. Right?

18 A. Correct.

19 Q. Okay. How did -- did they communicate those documents
20 or send those documents to the bank through the financial
21 advisor?

22 A. Yes, through the financial advisor and his office with
23 which he was employed which was a Stanford entity.

24 Q. How about the payment in order to make the deposit?
25 Did that go through the financial advisor?

1 A. No, that would not have. That would have had to
2 have gone directly to the bank's corresponding bank
3 account.

4 Q. So if I was to make a deposit and buy a CD in U.S.
5 dollars --

6 A. Uh-huh.

7 Q. -- how would that be transmitted? Where would it
8 go?

9 A. If it were a wire transfer in U.S. dollars, the
10 customer would have had to instruct his bank to send the
11 funds to SIB's corresponding bank, which was Toronto
12 Dominion Bank for U.S. dollars.

13 If it was a check deposit, that check could have
14 been delivered to the financial advisor's office and
15 they, in turn, would have sent the instrument to Stanford
16 International Bank in Antigua.

17 Q. What did you do with the check when you got it?

18 A. Once it was received, it was endorsed and then put
19 together in a cash letter that we would have then sent
20 off to our correspondent bank.

21 Q. And who was your correspondent bank for checks?

22 A. That would have been Trustmark National Bank.

23 Q. And what if I was to buy a CD and I was depositing
24 Euros or British Pounds, where would that money go?

25 A. Again, if you were sending a wire transfer, you would

1 have sent it to our Euro or British Pound correspondent
2 bank, which was HSBC in London.

3 If it was a check deposit, that item would have been
4 again sent to Antigua and then put together in a cash
5 letter and sent for negotiation to HSBC --

6 Q. In London?

7 A. -- in London. Yes.

8 Q. And that would have been at the SIB or Stanford
9 International Bank account in -- at HSBC in London.

10 A. Correct.

11 Q. The same is true as with regard to TD bank in -- in
12 Toronto.

13 A. That is right.

14 Q. Okay. And the account that was at Trustmark Bank was
15 also an SIB-correspondent banking account.

16 A. That is correct.

17 Q. Okay.

18 MR. DAVIS: One second, Your Honor.

19 (Brief conference off the record.)

20 Q. (BY MR. DAVIS) After February 19th, what was the
21 role of Mr. Hamilton-Smith, the gentleman that Mr. Little
22 referred to?

23 A. They were appointed as Receivers for Stanford Inter-
24 national Bank when they came in. Subsequent to that, they
25 were appointed as Liquidators of the bank.

1 Q. And were the employees still working at the bank?

2 A. Up until around April of '09, most of the employees
3 were still there. At that point in time, the majority
4 were let go.

5 Q. But since then, have there still been employees working
6 at the bank?

7 A. Yes, there are employees there.

8 Q. How many?

9 A. There are four employees for Stanford International
10 Bank.

11 Q. And do you still get calls from customers?

12 A. Yes, we do.

13 Q. Okay. How many on average, say, a week?

14 A. In a week, perhaps 20.

15 Q. And do those calls come in primarily in English or
16 primarily in Spanish?

17 A. Primarily in -- in Spanish.

18 Q. The other --

19 A. I mean -- and I know this because we share the
20 functions because there are that, you know, limited number
21 of us. And once they come in -- we have a Spanish speaker
22 on staff still. And the majority of the times, you have
23 to transfer the call to the person who speaks Spanish.

24 Q. Okay.

25 MR. DAVIS: No further questions.

RECROSS EXAMINATION

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By Mr. Little:

Q. Trustmark Bank, that's in Houston. Right?

A. Yes, it is.

Q. Okay. When U.S. customers -- U.S. customers bought exclusively through Stanford Group Company financial advisors. Correct?

A. Once they were U.S. residents, yes, they had to come through that program.

Q. And when they were transferring funds, those transfers typically were handled by the financial advisor using the customer's SGC account, were they not?

A. I don't know. I'm not sure.

Q. You don't have any idea one way or the other?

A. I'm not saying that is not possible because some clients did have brokerage accounts. The customer would have had to provide instruction to transfer those funds to SIB.

Q. Well, in fact, virtually all the U.S. customers had brokerage accounts because they had to go through a Stanford Group Company broker to buy a CD, did they not?

A. Okay.

MR. DAVIS: Objection. Counsel is testifying.

MR. LITTLE: It's cross-examination.

THE COURT: Overruled.

1 THE WITNESS: Yes. I mean, they had to -- the
2 customers who were U.S. Accredited Investors had to go
3 through Stanford Group Company.

4 Q. (BY MR. LITTLE) Right.

5 A. That is -- that is correct.

6 Q. And in order to go through Stanford Group Company, they
7 had to have an account at Stanford Group Company. Correct?

8 A. That I don't know.

9 Q. Okay. And Stanford Group Company was the U.S.
10 broker-dealer?

11 A. Yes.

12 Q. Okay. And Stanford Group Company would -- would
13 transfer funds from the client's account at Stanford Group
14 Company to SIB, would it not?

15 A. That is possible.

16 Q. Okay.

17 MR. LITTLE: Nothing else, Your Honor.

18 THE COURT: Thank you, ma'am. You may step down.

19 MR. DAVIS: Your Honor, we just have one house-
20 keeping matter to deal with, some documents to be moved in,
21 and I think that's -- that's it.

22 MR. GROSSMAN: Your Honor, there's a number
23 of exhibits that were not -- that were in our exhibit
24 submissions that were not attached to the direct written
25 testimony of the witnesses. At this time we would like to

1 move those exhibits into evidence.

2 THE COURT: Okay.

3 MR. GROSSMAN: You said you were going to do it
4 after, so we will provide a scorecard at the end of today
5 listing all of the exhibits that we have sought to move
6 in. Specifically, it is JL-1 through JL-17. JL-1 through
7 JL-17. I just wanted to identify them for the Court. We
8 would seek to move them into evidence.

9 THE COURT: Okay.

10 MR. GROSSMAN: Your Honor, an additional
11 housekeeping matter. With respect to Mr. Wide's testimony,
12 attached to it were copies of the particular appointment
13 papers, the commencement of the proceeding. We have the
14 original apostille documents. I don't want to have any
15 issue about an objection with respect to legalization.

16 We have the originals and we're willing to tender them
17 if necessary. Perhaps I should just keep custody and see
18 if there is going to be an objection as to originals.

19 THE COURT: Is that agreeable to submit --

20 MR. SADLER: Certainly if he's just talking --

21 THE COURT: -- copies to the Court?

22 MR. SADLER: Yes. Yes.

23 MR. DAVIS: We've got them here to look at them
24 if the Court wants to see them, fully apostille. We've got
25 them for counsel to look at as well.

1 THE COURT: Okay. I'm willing to accept on face
2 value, unless someone tells me differently, that the copies
3 I have gotten are accurate.

4 MR. SADLER: Sure. That's fine. That's fine
5 with the Receiver.

6 MR. GROSSMAN: Your Honor, there are two other
7 documents that were referred to in our brief that we would
8 like to move into evidence, and we put it on the end of
9 our exhibit list. They are the ruling by the judge in the
10 Stanford criminal case with respect to a bond application
11 by Mr. Stanford, the ruling by the Court with its findings
12 of fact and the affirmance of that ruling by the Fifth
13 Circuit. That would be one exhibit.

14 And the other exhibit was attached to our brief which
15 was a -- this is articles written by Mr. Janvey and others
16 at a conference with respect to where Ponzi scheme and
17 forfeiture laws interact.

18 We would move those into evidence, and we would add
19 them to the back of our exhibit book, Your Honor.

20 THE COURT: All right.

21 MR. GROSSMAN: I'm sorry, Your Honor. If I could
22 have just one moment.

23 (Off the record.)

24 MR. GROSSMAN: I know this a long time, but can
25 we have one minute to confer with our client?

1 THE COURT: You can have as much as you want.

2 Just be cognizant the clock is running.

3 (Off the record.)

4 MR. GROSSMAN: Thank you, Your Honor, for that
5 moment.

6 Your Honor, because the issue was raised this morning,
7 on behalf of the Joint Liquidators we would move ore tenus
8 to substitute officially as the party plaintiff for whatever
9 reason that would need to be happening.

10 It was only because it was raised this morning. We
11 think we are the party plaintiff, but to the extent this
12 Court needs a motion to substitute us as the party plaintiff
13 for purposes of a petition, we so move.

14 THE COURT: Okay.

15 MR. SADLER: And I don't think it's necessary to
16 respond now. I think they need to file a pleading. Then
17 we can respond on the pleadings that are filed, Your Honor.

18 THE COURT: Okay. Why don't you follow that up
19 with a written motion just so that it's in the record.

20 MR. GROSSMAN: Thank you, Your Honor.

21 THE COURT: But I note you've made that request
22 orally here in open court.

23 MR. GROSSMAN: Thank you, Your Honor. Your Honor,
24 on behalf of the Joint Liquidators, we rest.

25 THE COURT: All right.

1 MR. SADLER: Your Honor, we're ready to proceed
2 with our first witness.

3 THE COURT: Please do.

4 MR. SADLER: Mr. John Wade.

5 MR. MORGENSTERN: Good afternoon, Your Honor.
6 Peter Morgenstern for the Investors Committee and our group.

7 THE COURT: I was wondering if you got a speaking
8 role.

9 MR. MORGENSTERN: You know, you have to fight for
10 these things, but --

11 THE COURT: Understood.
12 Could you raise your right hand, please?
13 (The witness was sworn by the Court.)

14 MR. MORGENSTERN: Thank you.

15 JOHN WADE, SWORN,

16 DIRECT EXAMINATION

17 By Mr. Morgenstern:

18 Q. Would you state your name for the record, please?

19 A. John Wade.

20 Q. And is it Dr. John Wade?

21 A. Dr. John Wade, veterinarian.

22 Q. Thank you.

23 MR. MORGENSTERN: Your Honor, I hereby move
24 to admit Dr. Wade's written testimony which has been
25 submitted.

1 MR. WIELEBINSKI: Your Honor, we filed some
2 objections, evidentiary objections, to his statements.
3 Essentially they boil down to hearsay with respect to
4 pages 3611 and 3612, certain paragraphs that we point out
5 in our objection as well as a best evidence rule. There's
6 a document that he refers to in his declaration.

7 THE COURT: Okay. I'm going to reserve ruling
8 on those.

9 MR. WIELEBINSKI: Fair enough, Your Honor.
10 Thank you very much.

11 MR. MORGENSTERN: Okay. Thank you, Judge.

12 CROSS EXAMINATION

13 By Mr. Wielebinski:

14 Q. Good afternoon, Dr. Wade. My name is Joe Wielebinski.
15 I'm going to be asking you some questions.

16 A. Okay.

17 Q. I first want to start by telling you that you're now
18 the third investor I've met in the Stanford debacle, and I
19 empathize with your predicament. You -- you, based on your
20 statement, invested quite a lot of money, did you not?

21 A. I did.

22 Q. Well, I'm sorry that you did that and I hope that we
23 can collectively work to get some return on that monies.

24 A. Thank you.

25 Q. You have a doctorate degree. Correct?

1 A. That's correct.

2 Q. And it's a doctor in veterinary science? Is that --

3 A. Veterinary medicine, correct.

4 Q. And you practiced as a veterinarian for a number of
5 years?

6 A. Yes.

7 Q. Twelve years, I believe?

8 A. Yes, I did. Yes. In a private practice that I owned,
9 yes.

10 Q. But you don't practice now.

11 A. No. I still work, but I don't practice.

12 Q. And your work is with respect to this microchip company
13 that you were the founder of and you continue to work there?

14 A. That's correct. I manufacture or have manufactured
15 microchips for identification in animals.

16 Q. And you invested in the Stanford CDs for a number of
17 reasons, I assume. But you did it both personally and for
18 your company's ERISA account. Is that right?

19 A. That's correct, yes, sir.

20 Q. And the benefits, I assume, that you perceived you were
21 getting would be a higher rate of return than you might get
22 at other financial institutions?

23 A. No. I didn't get -- I got probably a percent higher
24 than I would have had at other institutions, but the real
25 reason that I invested in the Stanford CD program is

1 because I just kept everything at Stanford. I had
2 brokerage accounts there as well.

3 Q. I see. Was one of the -- the benefits of investing
4 in Stanford the tax benefits since you were investing in
5 CDs at an international bank?

6 A. I'm not aware of any tax benefits.

7 Q. And Mr. Tim Parsons was your financial advisor. Is
8 that correct?

9 A. That's correct.

10 Q. And a friend introduced you to Mr. Parsons?

11 A. That's correct.

12 Q. Did you interact with anyone else at Stanford Inter-
13 national Bank other than Mr. Tim Parsons?

14 A. No, not initially. Ultimately, just on a cursory level,
15 I had some dealings with his secretary. I think her name
16 was Barbara.

17 Q. But you never -- did you ever interact with anybody in
18 Antigua?

19 A. No.

20 Q. Not at all?

21 A. No. I was told that that was off limits.

22 MR. WIELEBINSKI: I'd move to strike, Your Honor.
23 The answer no would probably suffice.

24 THE COURT: Overruled.

25 Q. (BY MR. WIELEBINSKI) But your testimony is that you

1 never contacted or visited anybody in Antigua?

2 A. That is correct. I -- I made one attempt after the
3 collapse. I could not reach Tim Parsons. I made the effort
4 to abide by protocol to try to get something written to get
5 my money redeemed, and I couldn't reach Tim.

6 So I tried to call the bank and got no answer. And
7 so obviously that failed and then ended up I actually got
8 Houston, got somebody in Houston. They said to speak to
9 Tim, and I finally found Tim.

10 Q. When you said you called the bank, you called the bank
11 in Antigua?

12 A. That's correct.

13 Q. Okay. You called an international number and you
14 couldn't get through.

15 A. That's correct.

16 Q. And you couldn't get through?

17 A. That's correct.

18 Q. Or actually it was nobody -- nobody answered? Is
19 that --

20 A. Nobody answered.

21 Q. Did you ever send a letter to anyone in Antigua in the
22 bank?

23 A. You know, I'm not -- I'm not certain if I did. At the
24 end when I could not reach anybody and I was watching my
25 future on TV, I recognized that something had to be done.

1 So I ended up typing up a number of redemption requests for
2 myself, my company's pension plan, and my business partner
3 also had an account and had CDs.

4 So with the three of those, when I couldn't reach
5 anybody, I wrote up those, signed them, went to Google,
6 found Tim Parsons' house, drove to his house, and was
7 able to get him to sign those redemption requests.

8 And I don't remember if I sent one to Antigua. I don't
9 think I did, but I -- I did go through Tim Parsons then.

10 Q. Sir, when you first decided that you were going to
11 invest in Stanford, you may have heard the testimony of
12 Beverly Jacobs about the number of forms that had to be
13 prepared --

14 A. Yes.

15 Q. -- in order to purchase the CD.

16 A. Right.

17 Q. Do you remember preparing any of those forms?

18 A. Sure.

19 Q. Do you remember signing them?

20 A. Yes.

21 Q. If I told you one of them was something called a sub-
22 scription agreement, would that refresh your recollection?

23 A. Yes, sure.

24 Q. Do you remember signing that agreement?

25 A. Yes, I do. Right.

1 MR. WIELEBINSKI: May I approach the witness?

2 THE COURT: Yes.

3 Q. (BY MR. WIELEBINSKI) I'm handing you a document marked
4 Exhibit 1. Can you take a look at that document for me,
5 Dr. Wade?

6 A. Yes, sir.

7 Q. Have you seen that before?

8 A. Yes, sir.

9 Q. Is that the subscription agreement?

10 A. Yes.

11 Q. All right. And that's your signature there, is it not?

12 A. It is, yes.

13 Q. It seems that -- I just notice you seem to always sign
14 your name with a DVM at the end. Is that something you do?

15 A. Most of the time, yeah.

16 Q. All right. And that's your doctorate -- doctorate
17 designation?

18 A. Yes, correct.

19 Q. Okay. And you remember signing this document, do you
20 not?

21 A. I do.

22 Q. And it says right above your signature that you
23 intended to be legally bound by this document. Correct?
24 Doesn't it say that there?

25 A. On the last -- on which signature page?

1 Q. Well, on the first signature, sir. Right above the
2 first signature, it says, in witness whereof?

3 A. Yes.

4 Q. It says the depositors have executed this subscription
5 agreement intending to be legally bound?

6 A. Yes.

7 Q. And that was your intent in signing it, correct, to --
8 to enter into a contract with Stanford to buy a CD?

9 A. That's correct.

10 Q. All right. Now, when you signed it -- can you look at
11 paragraph K for me, please, of this subscription agreement
12 so we're on the same page? Can you read that for me?

13 A. I think I may need it. That's pretty small.

14 Q. Sir, do you want me to read it to you and see if you
15 can acknowledge it?

16 A. "You understand that this subscription agreement shall
17 be construed in accordance with and governed exclusively
18 by the laws of Antigua and Barbuda and you consent to the
19 exclusive jurisdiction of the courts in Antigua and Barbuda
20 in relation to any action or proceeding arising under this
21 subscription agreement."

22 Q. And, sir, do you mind reading the first item under
23 depositor representations? It's item A. Just the first
24 sentence.

25 A. "You have received a disclosure statement and other

1 relevant offering documents related to the U.S. Accredited
2 Investor CD prior to remitting the minimum balance or such
3 other amount in excess of the minimum balance."

4 Q. And the next sentence, sir?

5 A. "You have read and you understand the offering
6 documents, particularly the discussion of the risks
7 associated with the U.S. Accredited Investor --"

8 Q. CD?

9 A. Oh, CD, right.

10 Q. Prior to accepting your subscription. Correct?

11 A. I don't think that says that here, but -- but --

12 Q. Oh, okay. I'm on the prior paragraph. I apologize
13 for that.

14 A. Okay.

15 Q. Sir, do you remember reading and reviewing the --
16 the disclosure agreements that you said that you signed
17 off and said you did read and review and understand?

18 A. What I did with these is I went through -- when I
19 opened the account, I -- I was opening three accounts--my
20 partner, my -- my business account, and myself. And so
21 it was -- it was analogous to like a real estate closing:
22 there were a number of documents lined up on a table.

23 And so what I did is I got my financial advisor to take
24 each one of these documents and go through the document with
25 me. So I didn't read everything word for word. I went

1 through it with my financial advisor.

2 Q. But you did sign the document that said you read it,
3 you reviewed it, you understood it.

4 A. Yes.

5 Q. Okay. And you did it with the intent to be legally
6 bound. Correct?

7 A. I did.

8 Q. All right.

9 A. I did. But just so you understand, can I read another
10 one of these?

11 MR. WIELEBINSKI: Your Honor, I asked a yes or no
12 question, and he can --

13 THE WITNESS: That's okay.

14 MR. WIELEBINSKI: -- reask questions on redirect.

15 Q. (BY MR. WIELEBINSKI) Now, the disclosure statement --
16 and I can get you a copy if you'd like to look at it, but
17 the disclosure statement on page 3 says that it was being
18 prepared and furnished to you by SIB, Stanford International
19 Bank, a bank chartered in Antigua and Barbuda under the
20 International Business Corporations Act.

21 Do you have any reason to doubt that's in the
22 disclosure statement?

23 A. No, sir, I don't.

24 Q. And page 4 -- I'm sorry, on the disclosure statement
25 at 4, it says, SIB has operated in Antigua since 1990.

1 Any reason to doubt that?

2 A. No, sir.

3 Q. And that same page, it says that SIB's offices were
4 located solely in Antigua. Do you have any reason to doubt
5 that?

6 A. No, I don't. No. I was told that, too.

7 Q. And also it says, "SIB is not generally subject to
8 securities or banking regulations by any governmental
9 authority outside of Antigua except for certain U.S.
10 antifraud securities laws by virtue of making an offering
11 in the United States."

12 Any reason to doubt that?

13 A. I don't doubt that it's in there. I was told that by
14 my financial advisor, and I was told that it -- it operated
15 under the laws of the U.S. securities laws.

16 Q. Did he also tell you that the commencement day for the
17 CD was the first business day in St. John's, Antigua, and
18 Barbuda or the last calendar day of the month in St. John's,
19 Antigua, and Barbuda?

20 A. No, sir.

21 Q. Okay. Did he tell you that SIB was a private financial
22 institution chartered under the laws of Antigua and Barbuda,
23 which is disclosed on page 10 of the disclosure statement?

24 A. Yes, he did, but that it was all run out of the United
25 States.

1 Q. Okay. And did he tell you --

2 MR. WIELEBINSKI: Move to strike, Your Honor. I
3 asked a yes or no question.

4 THE COURT: Overruled.

5 MR. WIELEBINSKI: Thank you, Your Honor.

6 Q. (BY MR. WIELEBINSKI) Did he tell you that there was
7 an entire section of the disclosure statement describing
8 Antigua and Barbuda, the nation itself?

9 A. Yes, he did.

10 Q. And did he tell you that SIB authorized certain
11 entities, such as Stanford Group Company, to make the U.S.
12 Accredited Investor CD offering?

13 A. Not in those terms, no.

14 Q. Okay. And did he tell you that the disclosure state-
15 ment specifically said that SIB had not authorized anyone to
16 give information or to make any representations other than
17 those contained in the offering documents themselves?

18 A. No, sir. He made many representations.

19 Q. Okay. And, sir, did he tell you that the disclosure
20 statement at page 17 said no other information or representa-
21 tions may be relied upon as having been authorized by SIB?

22 A. No, sir.

23 Q. Looking back at it, does it appear that Mr. Parsons
24 was at a minimum misleading you or not giving you complete
25 information?

1 A. Yes, and this document as well. This document is worth
2 less than the paper that it's written on. I think what
3 you're doing is you're going through here and picking and
4 choosing things. If you want to go review some of the other
5 statements in there or some of the things that are missing,
6 you will find that those are totally inaccurate, which to me
7 renders the whole document worthless.

8 My suggestion is somebody take this subscription thing
9 back and get everybody their money back.

10 Q. That's a fair observation, sir. Sir, you mentioned
11 in your testimony that you had some kind of welcome letter,
12 but you didn't attach it to your testimony. Do you have
13 the welcome letter?

14 A. I do. I don't have it with me up here.

15 Q. Oh, I see.

16 A. I've got it in -- right on the first bench there if
17 you'd like me to get it.

18 Q. Well, was there a reason you didn't include it on
19 your -- on your witness statement?

20 A. No, sir. An oversight, I suppose, but I've got it. It
21 was a welcome letter from Zack Parish from the home office
22 in Houston.

23 Q. But nobody instructed you not to attach it, did they?

24 A. No, no, heavens no.

25 Q. Fair enough.

1 A. I'll be glad to get it for you.

2 Q. And did you invest in U.S. dollars?

3 A. Yes.

4 Q. And when you invested, where did you send the money
5 that was used to open the account?

6 A. It -- it depends. Some of the money was wired that was
7 wired through TD Bank in -- in Canada. And I was told it
8 would come back to the United States to then be invested.

9 Sometimes on some occasions, I wrote a check and
10 that was written to Stanford International Bank that was
11 deposited here in the United States.

12 Q. All right. Sir, can you look at the first page of
13 this subscription agreement?

14 A. The -- I've got it, uh-huh.

15 Q. Do you see the -- the sentence, it's pretty much right
16 under the first paragraph? It says, "All documents to be
17 delivered by mail to SIB." Do you see that?

18 A. Yes, I do.

19 Q. And where does it tell you to send it? You don't have
20 to read the entire address but what -- what country?

21 A. No. It says Antigua, but this is completely contrary
22 what I was told to do.

23 Q. Okay.

24 A. I was told to give it to my financial advisor.

25 Q. And do you also see the -- the reference down there at

1 the bottom where it says checks?

2 A. I do --

3 Q. You do.

4 A. -- which is completely contrary to what I was
5 instructed to do.

6 Q. Where -- where does it tell you to -- to send the --
7 the personal or cashier's checks?

8 A. To Antigua, which I was told not to do.

9 Q. Sir, I happen to have your -- your file. You know,
10 there's a customer file at --

11 A. Uh-huh.

12 Q. -- in Antigua for all of the customers. I went through
13 it. There was a letter addressed To Whom It May Concern?

14 A. Uh-huh.

15 Q. Do you recall sending that letter?

16 A. I don't. If you would tell me the content of it, I can
17 probably help you out. I've written a lot of letters in my
18 day.

19 Q. You wanted to change the -- the period of time for your
20 CD renewal. Does that ring a bell?

21 A. Vaguely.

22 Q. All right.

23 MR. WIELEBINSKI: Pass the witness.

24 Thank you, Doctor.

25 THE WITNESS: Uh-huh.

REDIRECT EXAMINATION

By Mr. Morgenstern:

Q. Dr. Wade, just one question. Did you have something else that you wanted to read into the record when you were being questioned?

A. I wanted to -- you know, there -- there are a number of things actually. And I think I made my point. If you -- you take these documents and you start selecting things out of them and act like this is just the sole truth and that everything should revolve around these statements and there are actually statements in there that -- that say where this money was going and how it was going to be managed, what things that the -- that the -- what instruments -- this money was going to be invested in gold, it was going to -- or precious metals, it was going to be invested in bonds and securities.

And so there are a number of statements in these -- in these same documents that are just absolutely false. And so it just disturbs me that you come in here and try to select certain ones that fit to try to make them fit your goal and -- when in fact I think if there's any one thing in here that's false, you have to discard the whole thing. So --

THE COURT: You know, you have just hurt the feelings of all the lawyers in the room because that's

1 what they do.

2 MR. MORGENSTERN: At least all the ones that
3 draft documents like that.

4 Q. (BY MR. MORGENSTERN) I thank you, Dr. Wade.

5 A. Okay.

6 MR. MORGENSTERN: I have no further questions.

7 MR. WIELEBINSKI: Nothing further, Your Honor.

8 THE COURT: Thank you, sir. You may step down.

9 MR. SADLER: Your Honor, we're going to call Karyl
10 Van Tassel. Could Your Honor remind -- you wanted to take a
11 break, and I just lost track of when that was.

12 THE COURT: Yeah. I said around 3:00.

13 MR. SADLER: Do you want to do it now?

14 THE COURT: Yeah, let's go ahead and do it now --

15 MR. SADLER: Sure.

16 THE COURT: -- and not break her testimony up. So
17 let's take about 10 minutes and see you-all back at 5 till.

18 MR. SADLER: All right. Thank you.

19 MR. DAVIS: Thank you, Judge.

20 (Brief recess taken.)

21 THE COURT: All set?

22 MR. SADLER: Yes, sir.

23 THE COURT: Could you raise your right hand,
24 please, ma'am?

25 (The witness was sworn by the Court.)

1 KARYL VAN TASSEL, SWORN,

2 DIRECT EXAMINATION

3 By Mr. Arlington:

4 Q. Good afternoon. Would you state your name for the
5 record, please?

6 A. Karyl Van Tassel.

7 MR. ARLINGTON: Your Honor, the Receiver would
8 move to admit Ms. Van Tassel's direct testimony previously
9 filed along with the exhibits thereto.

10 THE COURT: All right.

11 MR. DAVIS: Your Honor, I have -- bad habit of
12 talking before I get to the microphone. I apologize to the
13 court reporter.

14 Your Honor, we do have a set of objections that we
15 filed with regard to some of these. I know you're -- as you
16 said with the last witness, you're going to take them under
17 advisement --

18 THE COURT: Correct.

19 MR. DAVIS: -- and rule on them after. But I just
20 wanted to point out to you that some in that -- there's --
21 there's eight or nine documents or partial documents that
22 we've objected to, not to the testimony, just to the actual
23 documents.

24 THE COURT: All right.

25 MR. DAVIS: Thank you.

CROSS EXAMINATION

By Mr. Davis:

Q. Good afternoon, Ms. Van Tassel. How are you?

A. Good afternoon.

Q. My name is Edward Davis, and I represent the Joint Liquidators, and I'll be asking you a few questions today.

A. Okay.

Q. I have read all 20 of your -- of your witness statements. You are one of the most prolific experts I've ever had to deal with, so I commend you for that.

Can you tell us about -- the Court about your experience in prior Ponzi scheme cases?

A. I have a great deal of experience in various kinds of frauds but specifically in Ponzi schemes, one that involved a computer business that had started out as providing service offerings and then turned into a Ponzi scheme, and then one was a real estate development.

Q. So those two?

A. Those two that were specifically Ponzi scheme, though many that have been fraud.

Q. Just other kinds of fraud?

A. That's correct.

Q. Great. Thank you. Can you tell the Court about your experience in prior cases involving -- or in the Caribbean?

A. I've had various cases that had issues revolving

1 around the Caribbean because of money that was sent there.

2 Specifically, there were some that had notes that had been
3 issued by Curacao and what happened to those and movement of
4 money from Curacao to various islands.

5 Q. Okay. And can you tell the Court about your experience
6 in Chapter 15 proceedings?

7 A. I have not been involved in a Chapter 15 proceeding
8 previously.

9 Q. Can you tell the Court about your prior experience in
10 bank liquidations?

11 A. Actually, I have quite a bit of experience in that
12 area. I worked at one point with various firms related to
13 shutdowns in both banks and savings and loans.

14 Q. Okay. I asked because it's not detailed in your very
15 lengthy resume. So is that from a prior life where you
16 were not a forensic accountant or was that when you were a
17 forensic accountant?

18 A. That is when I was a forensic accountant.

19 Q. Okay. Thank you. And can you tell the Court about
20 your prior experience with regard to offshore banks before
21 this case?

22 A. Again, because I do a lot of work in the area of issues
23 related to embezzlement and financial reporting problems,
24 those kinds of issues, there's many times that we're working
25 on issues related to funds that go through international

1 banks and tracing those monies through.

2 Q. Have you specifically dealt with the liquidation of an
3 offshore bank before?

4 A. No, I have not.

5 Q. Have you ever had the pleasure of serving as an expert
6 for Mr. Sadler or Mr. Janvey in the past before this case?

7 A. No, I have not.

8 Q. Okay. Have you ever served as a trustee in bankruptcy?

9 A. No, I have not.

10 Q. I think your resume said you served as a receiver. I
11 saw one on there. Is that right? Have you ever served as a
12 receiver before?

13 A. I -- I worked for a receiver.

14 Q. But you've never actually been a receiver.

15 A. I have not been a receiver, no.

16 Q. Okay. Have you ever -- so you've never rendered an
17 opinion in a Chapter 15 proceeding before.

18 A. I have not, no.

19 Q. Have you ever opined on the topic of center of main
20 interest before?

21 A. No. I have not.

22 Q. Before this case?

23 A. Not before this case.

24 Q. Are you actually giving an opinion here today as to
25 what the center of main interest of SIB is?

1 A. I am giving my opinion as to the factors that I think
2 relate to that that lead to that conclusion.

3 Q. But you're not. You're not actually opining on the --
4 on what the -- the center of main interest is. That's an
5 issue for the Court to decide. You would --

6 A. Oh, correct, yes.

7 Q. You'd agree with me on that.

8 A. Yes. I'm -- I'm -- my opinion relates to the various
9 factors that I believe to be relevant and the information
10 that I've had in my last two-and-a-half, almost three years
11 of investigations.

12 Q. And so if -- to the extent that you're -- any place
13 in your witness statement where it might inadvertently say
14 things along the lines of the center of main interest of the
15 bank is X, or I believe the center of main interest of the
16 bank is Y, that was inadvertent. You're not attempting at
17 any point to -- to do anything other than provide evidence
18 for the Court to make the determination of that issue.

19 A. That's correct. I'm not making a legal conclusion. I
20 am stating that from the factors that I've looked at under
21 the parameters that's set forth. That's -- that's what I
22 believe those factors illustrate.

23 Q. Thank you. I appreciate that. Have you ever been to
24 Antigua?

25 A. I have not, no.

1 Q. Have you ever been to the SIB headquarters building in
2 Antigua?

3 A. No, I have not.

4 Q. Have you -- you did meet Mr. Rodriguez-Tolentino.
5 Right?

6 A. I have talked to him, yes.

7 Q. Okay. Other than Mr. Rodriguez-Tolentino, have you
8 interviewed any of the other 91 employees of Stanford
9 International Bank?

10 A. Have I interviewed them?

11 Q. Yes.

12 A. No.

13 Q. Have you met them, talked to them?

14 A. No. Just seen a lot of documentation and
15 correspondence involving them.

16 Q. You have not attended any depositions of those people?

17 A. No, I have not.

18 Q. Okay. Thank you. Have you had a chance to review the
19 resumes of Mr. Wide and Mr. Dickson in this case?

20 A. I did, yes.

21 Q. Great. And in your professional opinion and based on
22 your extensive experience, you would agree with me that they
23 have extensive experience in the liquidation of banks and
24 financial institutions in the Caribbean, wouldn't you?

25 A. You know, I looked at their general credentials in that

1 they had been involved in various liquidations. I really
2 didn't focus on what they did in financial institutions
3 specifically.

4 Q. Would that same answer apply with regard to Ponzi
5 schemes? Did you look at their resumes with regard to their
6 prior handling of Ponzi schemes?

7 A. I think that there was information noted in there --

8 Q. Right.

9 A. -- about them.

10 Q. Do you have any reason, based upon your professional
11 career, to doubt their credentials or their experience in
12 the area of insolvency or forensics?

13 A. No. But I haven't really looked at it particularly.

14 Q. But you haven't come up or passed or touched upon
15 information that gives rise to any doubts in your mind
16 about their credentials, have you?

17 A. No, I have not.

18 Q. Do you have any reason to believe that they are
19 motivated, just as you are, to try to get as much money
20 for the victims as possible in this case?

21 A. No. I don't have any knowledge one way or the other.

22 Q. If Judge Godbey were to grant recognition in this case,
23 do you see any problem in having a working relationship
24 with Mr. Wide or Mr. Dickson and their staff?

25 A. No. If asked by a court and by my client, we'll do

1 whatever makes sense from that perspective.

2 Q. But as you sit here today, you don't -- do you envision
3 that there would be any problem?

4 A. No. As long as, again, what the Court -- that was
5 something that the Court envisioned and indicated was
6 appropriate, no.

7 Q. Thank you. Thank you for that. I want to go to the
8 back of your -- the very back of your witness statement,
9 the very end of it, if you will.

10 Can you turn to pages 45 and 46 of your statement?

11 It's Roman numeral 18.

12 A. Okay.

13 Q. You see that section?

14 A. I do, yes.

15 Q. The section is entitled -- I'm sorry. I went the wrong
16 direction. The section that deals with where you state, I
17 believe that all the Stanford entities should be aggregated
18 for the purposes of liquidation. Are we -- am I in the
19 right section?

20 A. Yes, that's --

21 Q. Page 45?

22 A. -- stated there. From an economic standpoint, I believe
23 all of Stanford entities should be aggregated for purpose of
24 liquidation.

25 Q. What you call aggregation, have you come to learn that

1 that's also called substantive consolidation?

2 A. I've heard that term.

3 Q. Okay. Have you ever rendered an opinion before to
4 support a substantive consolidation of a group of companies?

5 A. Not specifically. I have certainly looked at economic
6 factors in a variety of different kind of matters to
7 determine what the impact would be of various roads that
8 might be taken in a litigation.

9 Q. Are you aware of the factors that are applied for a
10 court to consider substantively consolidating companies in
11 a bankruptcy case?

12 A. No. I have not gone through those.

13 Q. So if I asked you, you did not apply the factors of the
14 elements test in the In re Vecco Construction Industries case
15 in your analysis -- you did not apply or seek to determine
16 the elements test in the In re Vecco Construction Industries
17 case, did you?

18 A. No. I think it's -- from my standpoint, I was really
19 looking at it from an economic view of the costs knowing
20 what I do about the case and the proceedings in general.

21 Q. I don't want to -- I'm not trying to pick a fight with
22 you. I just want to know if -- if you've applied these
23 tests. And I have two more to go just so we know. It
24 will save me a lot of time if you have -- if you haven't.

25 Have you applied the factors in the balancing test in

1 the In re Permian Producers Drilling case?

2 A. Not specifically. I haven't read it.

3 Q. Okay.

4 A. Whether those are economic factors that are considered,
5 they -- I might be utilizing some of those, but not having
6 read that and doing it specifically.

7 Q. Have you ever heard of that test before?

8 A. No, I have not.

9 Q. And have you ever heard of the elements test that I
10 mentioned before?

11 A. No.

12 Q. And have you ever heard of the simplified balancing
13 test set forth in the Augie/Restivo Baking Company test --
14 or case?

15 A. No, I have not.

16 Q. You didn't apply those factors, either.

17 A. Again, only to the extent if they are based upon the
18 economic viewpoint, I could have applied some of those same
19 kinds of issues and factors but not specifically related
20 from those cases.

21 Q. Okay. So notwithstanding that you haven't applied
22 those tests or opined on this issue before, you believe
23 that the entities should be aggregated into one for the
24 purposes of liquidation?

25 A. Based upon my economic view of the costs related to

1 that issue.

2 Q. Well, actually that's -- I'm glad you brought that up.
3 You say in your statement in those two -- in those two
4 paragraphs there on 45 and that bleed over onto page 46 of
5 your witness statement, you say that there are two benefits
6 that arise from some form of -- of aggregation. You call
7 it aggregation; I call it substantive consolidation.

8 A. Okay.

9 Q. You say, one, it will cost less. Right? We agree on
10 that --

11 A. Yes.

12 Q. -- the first bullet point. And second bullet point
13 says the presence of other Stanford entities is unlikely
14 to have a significant dilutative effect on distributions
15 to SIB claimants. That's your second reason. Right?
16 Or not reasons, but I don't know if that's a reason to do
17 it or that's something that won't happen if you do it. I'm
18 not sure I understand.

19 A. Are you on the last page, on 46?

20 Q. Yeah. I'm looking at the second bullet point on
21 page 46.

22 A. Okay.

23 Q. Do you see that? Do you see where you say that the
24 aggregation will not -- is unlikely to have a significant
25 dilutative effect on distributions to SIB claimants?

1 A. Knowing what I know about the issues in this case,
2 yes, that's my opinion.

3 Q. Okay. All right. Well, let's take the first one
4 first, lower cost issue. Mr. Sadler--and I don't think
5 it was this courtroom but another courtroom here in this
6 building--said on October 13th, quote, at the status
7 conference, We're basically out of the liquid -- when he
8 was addressing Judge Godbey, "We're basically out of the
9 liquidation business. We're basically out of the winding
10 up of the company business. We've got lawsuits that will
11 probably go on for years. We have some cash but not enough
12 in our judgment to distribute now in light of the costs."

13 But you're saying that if there wasn't some form of
14 aggregation, that you'll have to spend a lot more money?
15 Is that what I understand? That it will cost less if you
16 aggregate?

17 A. What I'm saying is if it's not aggregated and that
18 there are additional litigation issues that have to be
19 addressed because of that, and from both sides, that that
20 will cost more than it will if that isn't true.

21 Q. What's left to be -- I don't understand. I don't
22 understand what's left to be done forensically. What do you
23 have left to do forensically in this case? What's not done?

24 A. Well, obviously as any information comes up, we will be
25 looking at it if there's additional information that comes

1 out. And as Mr. Sadler said, there is ongoing litigation,
2 and my testimony is part of that.

3 Q. Fair enough, and I accept that. And so putting your
4 testimony and litigation to the side because assuming you've
5 done that work already essentially or you might have to get
6 ready for like you would for today, but independent of that,
7 the forensic work to analyze the data that's at your
8 disposal, are you finished with that?

9 A. There is always more that we could do, and as different
10 issues come up, I -- we will probably do additional work.

11 Q. But for now you're done.

12 A. For the most part, yes.

13 Q. Okay. Now, how much has -- you just joined
14 PricewaterhouseCoopers, which is the firm that Mr. Wide
15 was at for 28 years as an insolvency practitioner, right,
16 just in the last month or two?

17 A. I just joined PWC. I'm not sure how long he was there.

18 Q. You don't know. Okay.

19 A. I saw that in his resume.

20 Q. Okay. How much has the Estate or on the -- the SEC
21 Receiver paid FTI and Pricewaterhouse so far--and I'm not
22 looking for to the penny, but a rough -- a round number--for
23 the forensic work that it's done or for all the work that
24 it's done?

25 A. And that was going to be one of my questions. Some of

1 our work is technologically-based and -- just everything
2 paid to --

3 Q. Let's do it together, and then we can always break it
4 apart.

5 A. I -- gosh, I haven't looked at it since leaving FTI
6 obviously, and there's always a delay in what gets paid and
7 what gets billed.

8 Q. Right, uh-huh.

9 A. I think it's probably somewhere around 18 million.

10 Q. U.S. dollars?

11 A. Correct.

12 Q. Okay. So you're not saying, if I understand correctly,
13 that you've got a lot more to do forensically and that
14 would -- by -- by aggregating somehow, it would save that
15 forensic cost, are you?

16 A. No.

17 Q. You're not. So what is the less cost that arises by
18 aggregating? I don't get it.

19 A. Okay. Well --

20 Q. Help me through it.

21 A. Okay. I'll help you through it. What -- what I'm
22 referring to here is, to the extent that you have two
23 different parties and it's not aggregated, I can certainly
24 see situations where there might be continued litigation
25 between the parties depending upon where assets are. And

1 that's work that would not have to be done if there aren't
2 the two parties going at it. So, in that regard, that will
3 be additional work that will --

4 Q. Fair point.

5 A. It won't necessarily change the base work for what we
6 know now. But what may occur in the future can certainly
7 be incremental and you're having another firm and forensic
8 accountants doing work that, you know, we've done for the
9 last three years.

10 Q. I saw you were here pretty much all day. Right?

11 A. Yes, I have been.

12 Q. So you heard the testimony throughout the day. Right?

13 A. Yes.

14 Q. Okay. So you heard the testimony about a protocol,
15 the possibility of some sort of agreement whereby the
16 two -- the -- the Joint Liquidators and the SEC could work
17 together. Have you ever worked in that environment before?

18 A. No, I have not.

19 Q. Does it sound logical to you?

20 A. Yes. I think it does.

21 Q. Okay. Your second point is that there -- and I'm not
22 sure it's a point in favor of aggregation as much as saying
23 if you aggregate, we won't have this problem. So I'm not
24 quite sure I understand it.

25 But your second point seems to say that, and I'll quote

1 it, that you would not have a dilutative effect -- actually
2 I have them backwards, if we go to the first bullet point.

3 A. Yeah. That's what I was wondering.

4 Q. Yeah. Thank you. I wondered why you had that confused
5 look on your --

6 A. Yes.

7 Q. -- on your face when I said second point when it was
8 actually the first.

9 You said it would not -- that the aggregation of the
10 Stanford companies, the other 130-odd companies, and SIB
11 would not likely--not likely--result in a significant
12 dilutative effect on distributions to the SIB claimants.
13 Right?

14 A. You're on the bullet point at the bottom of 44?

15 Q. Yes.

16 A. Yes. That's the --

17 Q. You say that. Right?

18 A. -- very bottom line.

19 Q. Right. The very, very bottom of that.

20 A. Yes.

21 Q. Okay. I am not sure I follow this. I want to walk
22 through that with you.

23 You would agree that any recovered funds in the SEC
24 Estate would go pro rata to the various claimants, to the
25 various creditors. Right?

1 A. Under what scenario are you talking about?

2 Q. Under any scenario, whether it's aggregated or not.
3 There are various creditors.

4 A. Yes.

5 Q. And the creditors get paid based on some sort of
6 pro rata formula, right, typically in a liquidation or a
7 receivership?

8 A. And I understand that would be different in the U.S.
9 versus what you would do in Antigua.

10 Q. Okay. We can -- we can talk about that in a second,
11 but stay with me on this. Did you help Mr. Janvey or
12 Mr. Sadler prepare the February 2000 report to this Court?

13 A. February 2000, the interim report?

14 Q. Yes.

15 A. Yes. We provided some of the financial information
16 that was contained in there.

17 Q. Okay. So that report says that there's 1.6 million in
18 local taxes to be paid. Right? I can show it to you and
19 walk you through it, but -- if you want me to.

20 A. I don't remember the numbers.

21 Q. Do you accept from -- that I'm -- that I'm going to
22 represent to you the -- the accurate number for now? Will
23 you accept that? And I'll posit as a hypothetical since
24 you're an expert. Okay?

25 If it says there's 1.6 million in local taxes; and if

1 it says that there's an IRS tax claim to -- against Allen
2 Stanford, who is part of the consolidation or aggregation,
3 which is in the amount of \$226 million, and it's likely
4 to rise; and if it says that there are vendor claims of
5 \$25.4 million so far, and they're likely to rise; and that
6 there are employee claims of \$17.3 million and landlord
7 claims of \$79.3 million, that's over \$123 million, putting
8 aside the tax -- the IRS tax claim right there, isn't it,
9 roughly? 79 plus 25 plus 17? I'm testing you as an
10 accountant as well.

11 A. I think that's right, yes.

12 Q. Okay. Great. So that's \$123 million in claims that
13 would not exist if we were just focusing on the depositors'
14 claims. Right? The victims, those are -- those are
15 nondepositors.

16 MR. ARLINGTON: Calls for a legal conclusion,
17 Your Honor.

18 THE COURT: Overruled.

19 Q. (BY MR. DAVIS) Right? Those are nondepositor claims.

20 A. Those are nondepositor claims, yes.

21 Q. Okay. Great.

22 A. Whether they would be paid out equally, I'm not sure of
23 how that would work --

24 Q. Okay.

25 A. -- from a legal perspective.

1 Q. Okay. So -- but if you aggregate, aren't you going to
2 have to pay them -- you're going to have to pay those claims
3 for all the other 130 Stanford companies along with the
4 claims to the -- to the victims. Right? The payouts of
5 the victims.

6 A. Again, I'm not sure from a legal perspective how those
7 will have to be paid, if those come after payment to the
8 victims or -- or how that works.

9 Q. Well, don't you think you'd want to know that answer
10 before you advocate aggregation?

11 A. You know, I have looked at it and I think it's set
12 forth in here very much related to the kinds of work that
13 I am looking at having to be done as in the professional
14 fees and that kind of -- of information.

15 Q. Okay. Let me just take it one step further then.
16 Mr. Stanford, we all agree, has somehow finagled \$1.8 billion
17 in loans somehow through the Stanford entities. We agree on
18 that. Right? Roughly?

19 A. It's hard to say they're really loans. He's -- he
20 has not really taken them as money and it's a loan to him.
21 It's really kind of phony bookkeeping that gets it to that.
22 So --

23 Q. There are some promissory notes, aren't there? You've
24 seen them?

25 A. There are but very few.

1 Q. Well, however he booked it, he -- he sucked \$1.8 billion
2 in value out to himself. We agree on that?

3 A. That's not quite true.

4 Q. Okay. How much is it?

5 A. Well, no, there is 1.8 billion. It went out to dif-
6 ferent entities that were used for a variety of purposes,
7 some of which would have gone to the benefit of -- of Mr.
8 Stanford. But some of them were for homes for different
9 people. Some of them were for aircraft, different
10 businesses that --

11 Q. Uh-huh.

12 A. -- out of the 130, that were -- were paid.

13 Q. Basically the money comes into SIB, and you say in your
14 statement that the vast -- that -- that all of -- virtually
15 all of the money that funded the other Stanford companies
16 comes from SIB certificate of deposit funds. Right?

17 A. Yes, that's true.

18 Q. Okay. And it goes out of these other companies and
19 gets spent. Right?

20 A. Yes.

21 Q. Okay. Now, the Receiver, Mr. Janvey, he filed a
22 lawsuit, did he not, against Mr. Stanford on those -- on
23 those loans --

24 A. Yes.

25 Q. -- for \$1.8 billion?

1 A. As I understand it, yes, that there is a claim on that.

2 Q. So if we -- if that gets recharacterized as income to
3 Mr. Stanford, and doing some quick math at 35 percent -- I
4 don't even know. It might be higher than 35, but let's just
5 use 35 percent as the tax rate at that level. That's \$600
6 million, isn't it?

7 A. That's about right, yes.

8 Q. So if you aggregate with Mr. Stanford, does that not
9 attract the \$600 million claim to the Estate to be shared
10 pro rata with all of the other claims that are in the Estate
11 if the IRS filed such a claim?

12 A. But I think that would be true either way.

13 Q. No.

14 A. If you're looking at it from the bank's perspective,
15 the bank is the one who -- who had those loans.

16 Q. How -- how could the IRS file a claim against SIB?

17 A. No, not against SIB.

18 Q. Exactly. That's my point. So if that -- that \$600
19 million in claims gets attracted to this -- to the Receiver-
20 ship Estate but not to the Joint Liquidators Estate -- you
21 agree with that.

22 A. I don't know.

23 Q. You don't know.

24 A. That's a legal conclusion --

25 Q. Okay. Fair enough.

1 A. -- that you're talking about.

2 Q. That's a fair point. So when you say it won't have a
3 dilutative effect by aggregating, did you take into account
4 the factors that I just -- that I just went with you of all
5 these extra claims that would have to be bundled together
6 with payments to the victims?

7 A. Well, again, yes, I looked at that. When you look at
8 it in aggregate, no matter how you look at it, with the CD
9 investors and most of the funds that were used being from
10 the CD investors, that is always going to be the vast
11 majority of -- of any claims.

12 Q. Right, the vast majority. But -- but it does have
13 an impact. If you take all those monies that I just
14 referenced, 123 million plus the 600 million and -- and can
15 we agree that the amount that's -- that's missing, that the
16 amount of claims that ultimately are likely to be paid are
17 likely between 4 and \$5 billion? Is that a number that
18 you're comfortable with? Because the Receiver has advocated
19 that number and --

20 A. Well, I realize that that's where I think the claims
21 are right now.

22 Q. And you heard Mr. Dickson say it's about 4.4 billion?
23 So you guys -- you're roughly in the same neighborhood,
24 aren't you?

25 A. Again, I haven't looked at those numbers in some time,

1 but --

2 Q. Well, then just -- let me posit it to you then as a
3 hypothetical since you're an expert. If it is \$4.4 billion
4 and we are talking about almost 800 million or \$900 million
5 in extra claims that are not depositor claims, that's 16
6 cents on the dollar at a \$550 million payout, isn't it?

7 If we stop the Estates today, you heard testimony today
8 that there's about \$550 million in ready assets either that
9 are in the hands of Mr. Janvey, that are in the form of land
10 in the hands of the Joint Liquidators, or that the -- that
11 are being struggled over with the Department of Justice.
12 Isn't that about \$550 million?

13 A. The numbers that come from the Joint Liquidators, I
14 don't have any backup to.

15 Q. You don't have that. Okay. But let me then posit it
16 to you as a hypothetical. If it's \$550 million --

17 A. Okay.

18 Q. -- okay, and that's the amount that's going to get
19 ultimately distributed against 4.4 billion -- and I'm -- I
20 don't -- I know you don't have a calculator in front of you.
21 Will you accept my representation to you that that means
22 16 cents on the dollar goes to nonvictims?

23 A. Well, that's assuming that those get paid before at the
24 same rate as the victims.

25 Q. Doesn't that happen automatically in an aggregation?

1 A. I can't tell you.

2 Q. You don't know?

3 A. I don't know.

4 Q. Okay. On page 35 of your witness statement, you state
5 that 23 percent of the loans made by Stanford International
6 Bank were made to U.S. borrowers. Isn't that right?

7 A. Let me get there.

8 Q. Sure. Sure. I'm just getting the --

9 A. Okay. I'm sorry. What numbers are you looking at?

10 Q. I'm just watching the clock. You say that -- you admit
11 that 23 percent of the loans made by Stanford International
12 Bank were made to U.S. borrowers.

13 A. At the end of the Receivership, that was the amount,
14 yes.

15 Q. So by definition 70 percent of the loans made by SIB
16 were made to non-U.S. borrowers. Even I can do that math.
17 Right?

18 A. A little over 70 percent, but yes.

19 Q. 77 is what I said.

20 A. Oh, I'm sorry. I thought you said 70.

21 Q. We agree?

22 A. Yes. Other than U.S., yes.

23 Q. Super. Let's talk about then the assets of the
24 Estates. You would agree with me that right now there's
25 land in Antigua. You have at least heard tell of it. No?

1 A. Yes, I understand there's land in Antigua.

2 Q. Okay. And the -- let me posit to you that the
3 Receiver's estimate that the fire sale value of that land,
4 whether it be in the name of SIB or other entities which
5 they have frozen, is somewhere between 70 and \$115 million.
6 Do you accept that?

7 A. I don't know that number, but --

8 Q. Seem logical?

9 A. I saw in one of their direct testimony that they --
10 they stated a number I think was about 110 million.

11 Q. And -- and the -- you did mention on page 14 of your
12 witness statement that at least some of that land, Pelican
13 and Guyana Islands, was purchased for \$63.5 million several
14 years ago.

15 A. Yes, though I don't know what makes up their 110
16 million. I'm -- I don't know if that's in there.

17 Q. I -- I accept that. But, again, I'm asking you as an
18 expert to posit that. You would agree with me that about
19 \$130 million of monies that are in the name of SIB are in
20 Switzerland right now. Right?

21 A. I don't know if that's the exact amount. I think we
22 disagree on that, but it's close to that figure.

23 Q. Close. Okay. Let's just call it that for the sake
24 of argument. And about \$100 million is on deposit in the
25 United Kingdom right now in SIB accounts.

1 A. Yes.

2 Q. And about 18 million on deposit in Canada. Right?

3 A. Yes.

4 Q. Another 3 million that was on deposit in the name of
5 the bank in Panama. Right?

6 A. I am not familiar with the amount in Panama.

7 Q. Okay. So how much of the assets currently of the bank
8 are here in the United States? All of those I just read to
9 you are all outside the United States. Right? We'll agree
10 on that.

11 A. They -- they are located outside the U.S., yes.

12 Q. Right. So what assets of the bank are here in the
13 United States?

14 A. We have assets that --

15 Q. I'm talking about of SIB, of the bank.

16 A. Yes.

17 Q. Okay. Sorry.

18 A. There are private equity investments that are in the
19 Receivership and have been collected.

20 Q. And you collected about \$37 million from those? Right?

21 A. That's correct.

22 Q. But they were valued on the books at over \$290 million,
23 were they not, according to the schedule in your witness
24 statement?

25 A. They are -- they're actually -- for those specific

1 items, we don't have it separated.

2 Q. Okay. But you've got this \$37 million of the monies
3 that have been collected so far came from equity investments
4 made by SIB.

5 A. That's correct.

6 Q. Okay. And how much else was in the name of SIB that
7 was here in the United States?

8 A. There were bank accounts --

9 Q. How much was that approximately?

10 A. -- in the U.S. It's been a long time since I thought
11 about the original balances in those. That was probably
12 50 million?

13 Q. Okay. So \$87 million roughly between the 37 and the
14 50 million were SIB-denominated assets. Correct? Here in
15 the States.

16 A. Well, there's other assets that they had that -- that
17 might be here.

18 Q. In the name of the bank.

19 A. Yes.

20 Q. What are they?

21 A. Well -- well, in the name of the bank, you still have
22 the other -- the -- we have a remaining private equity
23 amount, not just the ones that have been collected.

24 Q. The uncollected part?

25 A. Yes. And the cash.

1 Q. But have you valued those?

2 A. The private equity?

3 Q. Yes.

4 A. No. I have not done that.

5 Q. Do you know if they have any value?

6 A. I know that they continue to be marketed. There is a
7 specific company who continues to do that, and that they
8 are looking to try to monetize those if they can.

9 Q. For three years they've been trying to -- for two years
10 they've been marketing those and they still haven't sold
11 them.

12 A. They've been trying to look for the right opportunity,
13 if there is one, to -- to do that.

14 Q. So what does that tell you about the value? Not so
15 good, huh?

16 A. Oh, I -- no, I don't think so.

17 Q. Okay. All right. You say in your witness statement --
18 I'm sorry, in your prior sworn statement on July 15, you say
19 that the SIB investment advisors were unaware of how SIB's
20 portfolio was invested. Right? The investment portfolio.

21 A. There's a couple of things that I say in there.
22 There -- there's -- because there's different levels.
23 They're unaware of what was actually in there. What they
24 did know was or what they thought was -- was told to them
25 was a different story.

1 Q. It was false.

2 A. Yes.

3 Q. What was told to the investment advisors was false.

4 A. That's correct.

5 Q. Right? And you say on page 9 of your current witness
6 statement that the SIB CD portfolio did contain some
7 legitimate investments, and we all agree it's not a lot,
8 but did you ever calculate how much that was other than --
9 is it -- is that the equity positions you were just talking
10 about a minute ago?

11 A. No --

12 Q. Different?

13 A. -- not necessarily that, that -- that it would be part
14 of it.

15 Q. How much was it, the legitimate investments of SIB, at
16 the time the bank was taken over?

17 A. What do you call investments? Are you talking about
18 the assets at fair value? What are you referring to?

19 Q. Fair value, yeah. That's all -- we want to know what
20 we can convert to dollars for these folks that got their
21 money stolen from them.

22 A. Okay. At the time of the Receivership, there was about
23 \$350 million left in Tier 2. And there was about I think
24 30 million in cash left.

25 Q. The 350 million, though, includes the monies that are

1 in Switzerland and UK and Canada. Right?

2 A. That's correct.

3 Q. Right. Okay. You say that the Antiguan employees
4 of SIB did not know how the assets of the bank were being
5 invested in the U.S. Right?

6 A. Generally. I have not seen anything that leads me to
7 believe that they have.

8 Q. Okay. Even -- you even say that Antiguan's outside
9 accountant seemed to be oblivious to how the assets of the
10 bank were being invested. Right?

11 A. The evidence --

12 Q. If not oblivious to even more than that, but at least
13 oblivious to that.

14 A. Well, I think he certainly didn't have access that we
15 can tell to the real records.

16 Q. Right. He was --

17 A. Whether he was oblivious to it or not, I don't know.

18 Q. That's my point. These investment advisors, the
19 accountants, the employees, the -- how that money was
20 invested, in fact it was being stolen behind the scenes,
21 was hidden from them. Right?

22 A. Well, there's certain -- certain employees who knew
23 what was happening.

24 Q. Have you come across any evidence that the public knew
25 that those investments were being -- that were overstated

1 and that the money was being stolen from the bank?

2 A. One, I don't know that I'd call it stolen. But, two,
3 I don't have that information that the public would know.
4 What they were putting out to the public was -- was a very
5 different story.

6 Q. Exactly. To the public's view, what they saw was a
7 bank that had assets in the billions of dollars. Right?

8 A. What they saw was an entity that had -- yes, that had --

9 Q. They claimed to have billions.

10 A. -- purported assets in the billions of dollars, yes.

11 Q. Right. Thank you. The SEC did no less than five
12 examinations, according to the documents you attach, from
13 1997 through 2004 and they didn't know how the assets were
14 being invested, did they, of the bank?

15 A. There was no action taken and -- and nothing -- nothing
16 changed at the bank that I'm aware of.

17 Q. Nothing in those reports says that they figured out how
18 these investments were being invested. Right?

19 A. Not that I'm aware of, no.

20 Q. Okay.

21 A. They certainly raised issues --

22 Q. Right.

23 A. -- that they knew that there were issues.

24 Q. We agree, without going through a whole line of
25 questioning, if we can just cut to the chase, that there

1 is no loan owed on the books that you can find any evidence
2 of by the government of Antigua to Stanford International
3 Bank, don't we?

4 A. No. Those were taken into other entities.

5 Q. Right. Right. And you have a whole schedule that's
6 attached to an Exhibit 46 and Exhibit 62 of your -- of your
7 witness statement that lays that out. But none of those
8 loans are owed directly to SIB, are they?

9 A. No. There is nothing that I've seen, though there
10 is -- from the loan perspective, there is certainly a lot of
11 documentation or information from the perspective of what in
12 other proceedings related to loans, and he's talking about
13 Mr. Stanford and the bank, or the government is talking about
14 Mr. Stanford and the bank, additional loans over and above
15 any that I've seen.

16 Q. There's some smoke there, right, that there's inquiry?
17 Don't you agree?

18 A. There is some information there, yes.

19 Q. Good enough. You say in your witness statement,
20 paragraph 24, actually of your July 15th witness statement,
21 that SIB reached a tipping point in October of 2008 that
22 was essentially the beginning of a run on the bank. Right?

23 A. I don't think I used those terms -- that term.

24 Q. You used the phrase "tipping point." Do you want me
25 to show it to you?

1 A. That -- that makes sense, tipping point, yes.

2 Q. Okay. So the tipping point of the bank was at some
3 point that the amount of CD redemptions was -- was over and
4 above that were being requested than the amount of money
5 coming in in order to meet those -- those demands. Right?

6 A. Yes. Starting in October of 2008, the redemptions
7 exceeded the amounts that were coming into the bank.

8 Q. Okay. Did you do an analysis of how much money left
9 the bank in the last three months of the bank's -- before
10 the bank was -- was intervened?

11 A. I don't know if I have it down specifically to the
12 last three months, but we've looked at it on a monthly
13 basis. So -- I don't have that total, but we have looked
14 at it on a monthly basis.

15 Q. Can you give us a rough sense of how much left the bank
16 in -- from October to February, October of 2008 to February
17 2009?

18 A. I -- I don't know the amount.

19 Q. Is it more than 100 million?

20 A. Yes.

21 Q. Is it more than 200 million?

22 A. Yes.

23 Q. Is it more than 500 million?

24 A. I believe so.

25 Q. Is it more than a billion?

1 A. I don't -- I don't know that.

2 Q. Is it more than \$700 million?

3 A. I don't know.

4 Q. So somewhere between 500 million and a billion.

5 A. That's my recollection, yes.

6 Q. Okay. That left in a five -- in a four-month period.

7 A. Well, and when you're talking about left, are you
8 talking about CD redemptions or what are you --

9 Q. Yes. I'm talking about redemptions.

10 A. Okay. That's what I assumed. That's my best
11 recollection.

12 Q. Okay. You say in your witness statement in exhibit --
13 in reference to Exhibit 8 and also at page 225 of your
14 witness statement that, without the CD proceeds, Stanford
15 Group Company was insolvent. We agree on that?

16 A. On page 225?

17 Q. 225.

18 A. My report is only 45 pages long. What are you --

19 Q. No, I'm talking about the exhibits that go --

20 A. Oh, okay.

21 Q. They're -- they're just the -- the sort of Bates number
22 that's on there?

23 A. Yes.

24 Q. Okay. That's -- that's one of your earlier -- you
25 include in your witness statement a bunch of your earlier

1 declarations, your sworn statements, that are exhibits.

2 A. Correct.

3 Q. That's an earlier one dated May 24, 2010.

4 A. Okay.

5 Q. Okay. In there, since we're running short on time,
6 would you accept that I represent to you that and quote you
7 that you say, without CD proceeds, Stanford Group Company
8 was insolvent.

9 A. Yes, that's correct.

10 Q. And in your March 11, 2000 (sic) witness statement at
11 page 27, you say that Stanford Financial Group Company would
12 have been insolvent from at least 2000 forward without the
13 funds -- funds from the other Stanford entities which came
14 primarily from the proceeds of sales of SIB certificates of
15 deposit. Right?

16 A. Yes, that's correct.

17 Q. Okay. And in your June 1st, 2011 sworn declaration,
18 you say that SIB itself was insolvent from at least 2004
19 forward.

20 A. What declaration was that?

21 Q. Your June 1st, 2001 -- 2011. I'm sorry. I said 2001
22 maybe, but it's 2011.

23 A. Actually I think it's from 1999 forward, that --

24 Q. Okay.

25 A. -- my opinion currently is that it's from 1999 forward.

1 Q. All these other Stanford companies, not SIB but the
2 other Stanford companies, would that be true if I asked you
3 the same question, that they would be insolvent but for the
4 monies that come in from the CDs that were sold by SIB?

5 A. I don't know. I haven't looked at all the companies.

6 Q. Of the ones you've looked at, would they all be
7 insolvent but for those funds coming in to them?

8 A. I can't think of any that I've looked at that would
9 not be in -- that would be in -- that would be solvent but
10 for CD proceeds --

11 Q. Thank you.

12 A. -- of some sort.

13 Q. Thank you. All right. Oh, last question. On page
14 19 of your witness statement, you state that extensive SIB
15 client records exist in the U.S.

16 A. I'm sorry, where are you?

17 Q. Page 19 of your witness --

18 A. Okay.

19 Q. -- statement.

20 A. Which bullet?

21 Q. Your witness statement, yeah.

22 A. Yes.

23 Q. There's no paragraph numbers there, so you have to find
24 it. But it says that extensive SIB client records exist in
25 the U.S.

1 A. That's correct.

2 Q. But you don't have all the client records, do you?

3 A. Well, I haven't gone through to reconcile total client
4 records to paper. I do have and frankly was able to match
5 very closely with Mr. Hamilton-Smith on the client informa-
6 tion that was available to us. It matched very closely with
7 his. So I believe I do have the same client information
8 that is available to the Joint Liquidators.

9 Q. Okay. I know I said that was the last question, but
10 this is really going to be it, I promise. Mr. Rodriguez-
11 Tolentino gave you a witness -- or interview. Right?

12 A. He did, yes.

13 Q. Was that interview reduced to writing?

14 A. No.

15 Q. Do you have notes from that interview?

16 A. I do not.

17 Q. So it's literally what's in your witness statement.
18 When you recall what Mr. Rodriguez-Tolentino told you is --
19 is based on your recollection of what he told you.

20 A. Well, I had a staff person who was taking notes.

21 Q. Okay.

22 A. And he has notes.

23 Q. Okay. That's what I meant. I mean, do you have notes
24 of that -- of that interview?

25 A. Yes, I do.

1 Q. You do. But you didn't attach it to your --

2 A. It's not mine. Within the firm, we would have them.

3 Q. Okay. And you didn't attach them to your witness
4 statement, did you?

5 A. No.

6 Q. But you did -- you did rely on them, in part, to put
7 in statements about Mr. Rodriguez-Tolentino in your witness
8 statement, didn't you?

9 A. Yes.

10 Q. Okay.

11 MR. DAVIS: Thank you, Judge.

12 REDIRECT EXAMINATION

13 By Mr. Arlington:

14 Q. Ms. Van Tassel, would liquidating SIB in a proceeding
15 by itself be consistent with how you understand the bank
16 to have operated vis-a-vis the other Stanford entities?

17 A. No.

18 Q. And what do you mean by that?

19 A. Well, the bank was really only one part of what was
20 the entire Ponzi scheme. Really all of it worked together
21 to create that scheme, and the assets and the CD proceeds
22 were disseminated throughout the -- all of those entities.

23 Q. And do you have an understanding of who it was or what
24 group of people controlled or managed that Ponzi scheme?

25 A. Yes, I do.

1 Q. And who are they?

2 A. Primarily Mr. Stanford, Mr. Davis, and at least to
3 respect to investments, Laura Pendergest-Holt.

4 Q. Okay. And where was Mr. Davis located?

5 A. He had offices in Memphis and in Houston.

6 Q. And Ms. Holt?

7 A. She was in Memphis as well.

8 Q. And Mr. Stanford?

9 A. He had offices in -- in Houston that I -- as far as
10 offices, that's the only office that I'm aware of. He may
11 have had an office at the bank, I think.

12 Q. Okay. So the people that were running this Ponzi
13 scheme were primarily in the United States.

14 A. Yes, that's correct.

15 Q. Okay. When you say in your witness statement in the
16 paragraph that Mr. Davis was asking you about, about the
17 consolidated liquidation, when you say that the Estate will
18 not support the costs of separate liquidations, what costs
19 are you referring to?

20 A. And I think I have in here. I refer to some -- the
21 professional fees of people on both sides of that have
22 to not only do the work, maybe replicate some of the work
23 that's already been done, but also if there's issues where
24 they are at odds with each other, that having to fund those
25 litigations on both side would increase the cost.

1 Q. Okay. And would part of the liquidation process be
2 the actual claim submission and distribution process?

3 A. Yes.

4 Q. And would there be fees and expenses incurred
5 associated with those activities?

6 A. Yes.

7 Q. You have reviewed the testimony and exhibits of Omari
8 Osbourne, have you not?

9 A. Yes, I have.

10 Q. And there is a notebook in front of you. I would
11 ask you to take a look at -- it contains Mr. Osbourne's
12 testimony and exhibits. If you would, take a look at
13 Exhibit Number 4 to his testimony.

14 MR. DAVIS: Your Honor, if I might, we are not
15 calling Mr. Osbourne. But if they want to move the evidence
16 in and let us move it in out of turn, we'll move it in. But
17 we're not calling him. So if they want to cross on him,
18 it's not evidence in the case. We didn't call him.

19 But we have no problem putting the written evidence in
20 if -- if they want to do that.

21 MR. ARLINGTON: Well, the evidence has been
22 submitted to the Court and is in the record.

23 MR. DAVIS: It's not in the record. It's not
24 moved into evidence, Judge, and that's our point. We want
25 to move it into evidence if they're going to rely on it.

1 MR. ARLINGTON: Then, Your Honor, the Receiver
2 would -- would move to admit the Osbourne testimony and
3 exhibits into the record.

4 MR. DAVIS: Okay. No objection, Your Honor.

5 Q. (BY MR. ARLINGTON) Ms. Van Tassel, take a look at
6 Exhibit Number 4 to Mr. Osbourne's testimony. Have you
7 reviewed that before?

8 A. Yes. The income statement as of -- or the financial
9 statement as of June 2001.

10 Q. Well, and if you'll look through it, that -- that's
11 actually a collection of income --

12 A. Right.

13 Q. -- statements that were submitted to the FSRC. Is that
14 right?

15 A. That's correct.

16 Q. Okay.

17 A. That's where it begins, and then it goes through time,
18 I think the last being October of 2008.

19 Q. Okay. The last report that's in there begins, I
20 believe, at page 294 on the bottom?

21 A. It was through -- sorry, it's hidden in writing. Yes,
22 I have it.

23 Q. Okay. And that covers the quarter ended September 30,
24 2008. Is that right?

25 A. That's correct, yes.

1 Q. Okay. And if you'll turn to page 320 of that document,
2 if you would, just generally describe what -- what that
3 reflects there.

4 A. On page 320, what this reflects is an analysis of the
5 investments of Stanford International Bank --

6 Q. So these would be --

7 A. -- or purports to.

8 Q. So these -- this was a report submitted to the FSRC
9 in Antigua purporting to show the value of the assets of
10 the portfolio of SIB. Is that right?

11 A. That's correct, yes.

12 Q. Okay. And what does it show the fair value as of
13 September 30, 2008 of private bonds to be?

14 A. Private bonds are \$2 billion roughly.

15 Q. Okay. Have you seen any evidence in your
16 two-and-a-half-plus years in investigating this case
17 that \$2-plus billion in private bonds were held by SIB?

18 A. No.

19 Q. Okay. What about equity securities? What is the
20 value as of September 30, '08?

21 A. That's 3.5 billion roughly.

22 Q. Okay. And have you seen any evidence in your
23 investigation showing that there were 3.5 billion in
24 equity securities that -- held by SIB?

25 A. No. I have not seen that.

1 Q. And do you see a reference there to the value of gold
2 held by SIB?

3 A. I do.

4 Q. And what is the value of the gold purported to be held
5 by SIB?

6 A. Roughly \$488 million.

7 Q. Okay. And then, underneath that, you see the value of
8 silver. What is that?

9 A. \$104 million.

10 Q. Okay. Have you seen any evidence anywhere to suggest
11 that the bank held either contracts, actual gold, or some
12 type of interest totaling either \$487 million in gold or
13 \$103 million in silver?

14 A. No, I have not.

15 Q. Okay. Based on your review of not only this page but
16 the rest of this report and the other reports in Exhibit 4,
17 do you have an opinion about the accuracy of the asset and
18 income figures in those documents?

19 A. Yes, I do.

20 Q. And what is that opinion?

21 A. Those amounts I know come from spreadsheets that are
22 the fictitious numbers that were created by Mr. Davis and
23 others that were reported on the financial statements that
24 were simply made up to be what they needed it to be to
25 report for the investors.

1 Q. So do you have an opinion as to whether those -- those
2 figures are accurate?

3 A. They are -- they're -- they're not accurate. They are
4 all completely false.

5 Q. Okay. And do you have an opinion -- well, I'll -- I'll
6 leave that.

7 The -- you've looked at the -- at those reports, and
8 they cover the time period at least -- they cover a larger
9 time period, but they cover at least 2008, do they not?

10 A. Yes, they do.

11 Q. Okay. And did you see in those reports, in looking
12 at the asset values over the course of 2008, a trend in
13 the value of the assets that the bank claimed to hold?

14 A. Actually the value of the assets through 2008, March
15 30th through September 30th, actually increased pretty
16 significantly.

17 Q. Increased significantly. And how does that compare
18 with -- I mean, we were all living through the market in
19 2008. How does that compare with what you know the world
20 economy was experiencing during that time?

21 A. Well, that's certainly contrary to what was happening
22 in the general markets. And if you look at, as you pointed
23 out, so much of this being in supposedly equity securities
24 where, you know, those dropped at different times 20 to 40
25 percent, that certainly is in contrast with what they were

1 reporting.

2 Q. Okay. If you were either an employee, Mr. Osbourne,
3 the accounting manager, or some other employee of SIB or
4 representative of the FSRC and you saw these reports, would
5 that raise any kind of question or concern in your mind?

6 A. Yes, it would.

7 Q. And what -- what would that concern be?

8 A. Well, the concern being how you're able to outpace
9 the market by this -- this percentage and do better than
10 the rest of the market in the world. And based upon this
11 information, particularly with the spread between equities,
12 and that -- that just seems almost impossible.

13 Q. So it would raise a concern as to whether or not the
14 information was anywhere close to accurate.

15 A. Absolutely.

16 Q. Okay. Now, back on the issue of aggregation briefly,
17 are you saying that it would make economic sense or -- or
18 it wouldn't make economic sense to liquidate all of the
19 130 Stanford-related entities in separate proceedings?

20 A. I think that it would make -- I don't think that would
21 make economic sense. To the extent that you have 130
22 different proceedings with different entities, different
23 professionals, that would have to be more costly.

24 MR. ARLINGTON: I have no further questions.

25 Thank you.

1 MR. DAVIS: Nothing further, Your Honor.

2 THE COURT: Thank you, ma'am. You may step down.

3 THE WITNESS: Okay.

4 MR. SADLER: And we'll call our --

5 MR. DAVIS: I'm sorry. Your Honor, could we just
6 get a quick time check?

7 THE COURT: 164 for you-all, and about 150 for
8 the Receiver team.

9 MR. SADLER: We'll call our next and final
10 witness, Mr. Ralph Janvey, Your Honor.

11 MR. POWERS: Good afternoon, Your Honor. Scott
12 Powers for the Receiver, Ralph Janvey. We would call our
13 last witness, Ralph Janvey. We would offer his testimony
14 and his exhibits into evidence.

15 THE COURT: All right. Could you raise your right
16 hand, please?

17 (The witness was sworn by the Court.)

18 RALPH JANVEY, SWORN,

19 CROSS EXAMINATION

20 By Mr. Redmond:

21 Q. Mr. Janvey, you were appointed on February 17th, 2009,
22 were you not?

23 A. That's correct.

24 Q. And the entities you were appointed on were a
25 combination of two areas. You were appointed on Stanford

1 International Bank and Stanford Trust Company that were
2 Antiguan companies, and the rest were U.S. entities. Is
3 that correct?

4 A. Well, I was appointed over all the Stanford enterprise-
5 related entities. I don't -- I didn't distinguish them the
6 way you just did.

7 Q. Well, then my question is, there was -- all the other
8 entities except Stanford International Bank and Stanford
9 Trust Company were U.S. entities or U.S.-based entities,
10 were they not?

11 A. I believe some of the entities were based in Mexico,
12 Colombia --

13 Q. Okay.

14 A. -- Panama, other countries, so I can't necessarily
15 agree with that.

16 Q. Okay. And clearly the --

17 THE COURT: Mr. Janvey, can I get you to scoot up
18 a little closer to the mic, please, sir?

19 THE WITNESS: Yes, Your Honor.

20 THE COURT: Thank you.

21 Q. (BY MR. REDMOND) But clearly Stanford International
22 Bank and Stanford Trust Company were Antiguan corporations,
23 were they not?

24 A. Yes, I can agree with that.

25 Q. And did they have any physical operations in the United

1 States?

2 A. Physical locations, no, they did not.

3 Q. So they had no offices in the United States?

4 A. Well, I -- I want to be clear. They were run by people
5 who were located in the United States. In answer to your
6 question, there was a building in Antigua. But I think
7 that begs the point to who ran the bank and who ran the
8 entities.

9 Q. Mr. --

10 MR. REDMOND: I'd move to strike that, Your Honor,
11 as being nonresponsive.

12 THE COURT: Overruled.

13 Q. (BY MR. REDMOND) When you were appointed as Receiver,
14 was one of your initial functions to go ahead and -- and
15 shut down the various Stanford entities?

16 A. That was one of my functions under the order appointing
17 me, that's correct.

18 Q. And that was for the purpose of trying to restrict any
19 kind of ongoing fraud or any kind of ongoing operations.
20 Is that correct?

21 A. One of the purposes of my being appointed to shut down
22 the offices was to take control of all the assets of the
23 Stanford enterprise, which one of those was SIB. That's
24 correct.

25 Q. When -- when you were appointed, how soon after

1 February 17th were you able--and let's take the U.S.
2 entities to start with--able to physically take control
3 of those entities and shut them down?

4 A. Well, we started taking control that day. It took us
5 a while to take control of all the entities. They were
6 located in, my recollection, 30-something states, numerous
7 countries, and it took a large team to do that.

8 But we started the day I was appointed. We went in
9 that morning in Houston and Memphis and other locations and
10 shut them down. That was an ongoing process over weeks, if
11 not months.

12 Q. Okay. And when did -- when did you as Receiver stop
13 transferring funds or money to Stanford International Bank?

14 A. I really don't understand your question, when I
15 transferred money for them. You'll have to -- I'm not sure
16 I understand the question.

17 Q. Okay. Well, let's -- let me reask it then. Once you
18 were appointed as Receiver, were any funds transferred to
19 Stanford International Bank in Antigua?

20 A. When I was appointed Receiver, we had a very difficult
21 time getting a handle on all the funds to begin with because
22 they're around the world. My recollection is we seized bank
23 accounts--and it took a long time in a number of countries,
24 including this country and other countries--to try and get
25 control of those cash assets. It was not -- it was not

1 like we'd walk into the -- one location and there was a
2 whole bunch of cash. We had to get control of that.

3 Q. Okay. But as soon as you were appointed as Receiver,
4 you gave notification to the financial entities that you
5 were aware of to -- to cease honoring checks and sending
6 funds out.

7 A. Yes. We sent out letters to numerous financial
8 institutions the first week or two, saying, stop honoring
9 any payments by the Stanford enterprises. That's correct.

10 Q. That included Toronto Dominion Bank in Canada?

11 A. That's correct.

12 Q. And did it send any further funds out after your
13 notification?

14 A. Sitting here today, I really have no recollection. I
15 can't answer that.

16 Q. Did you send notification to HSBC in London?

17 A. I believe at a certain point we did, yes.

18 Q. And did you send -- and did you send those to Trustmark
19 Bank in Houston?

20 A. Yes, I believe we did.

21 Q. Okay. After the -- you were appointed as Receiver and
22 you initiated your actions to shut down or lock down the
23 various entities, to your knowledge was a fraud -- any
24 fraud that was -- had been perpetrated before continuing?

25 A. Well, to my recollection, the morning we came into

1 Houston, there was money transferred out of Houston
2 unbeknownst to us to Canada. But short of that, I believe
3 we tried to shut everything down starting that day.

4 Q. Okay. So you believed you shut down the physical
5 transfer of assets or physical transfer of funds in a very
6 short-term basis.

7 A. Well, I believe we stopped the people perpetrating
8 the Ponzi scheme from transferring monies. One may have
9 transferred some monies among the accounts as a Receiver
10 and my staff, but I don't believe any of the defendants had
11 the opportunity after February 17th to transfer money, no.

12 Q. Okay. And you realized after your appointment that
13 there were funds located in Great Britain, in Switzerland,
14 and in Canada. Is that correct?

15 A. That is correct, I did.

16 Q. And you had an order from Judge Godbey regarding those
17 assets, did you not?

18 A. That's correct.

19 Q. Were you able just to go to Great Britain and say, turn
20 over all the funds to me?

21 A. I -- I wish I was able to, but I was not.

22 Q. Okay. Is that because the United Kingdom is a
23 sovereign nation?

24 A. Is that because it was a sovereign nation? It was
25 because the bank in the United Kingdom would not agree to

1 give me the funds.

2 Q. And so the bank would not recognize your authority as
3 a Receiver and your request to turn the funds over just on
4 a letter request.

5 A. Well, at that time the Antiguan court had appointed the
6 Vantis liquidator, and they were making a concerted effort
7 to fight me and the Receivership and this Court's order to
8 get control of those funds in various countries.

9 Q. Well, Vantis was initially appointed as a Receiver
10 Manager, then later on as Liquidator. Wasn't that correct?

11 A. Well, at a certain point. But they started as Receiver
12 Manager I believe within two or three days after this Court
13 ordered the -- entered the order appointing me.

14 Q. Okay. If the date is February 26th, 2009, would --
15 would you disagree with that?

16 A. I have no reason to disagree, no.

17 Q. And then the liquidation was initiated and occurred
18 on April 17th of 2009 in Antigua. Would you disagree with
19 that?

20 A. If that's -- I have no reason to disagree with the
21 date.

22 Q. Okay. And so because of the fact that you couldn't
23 just go to Great Britain and have the bank turn the funds
24 over, you initiated an Article 15 proceeding in Britain,
25 did you not?

1 A. Well, I know we initiated a proceeding. Whether it
2 was Article 15, I really can't say sitting here in front of
3 the Court that's accurate.

4 Q. You initiated a proceeding in order to have the funds
5 turned over to you, did you not?

6 A. That is correct.

7 Q. And a -- and a proceeding to be recognized, also?

8 A. That is correct.

9 Q. And as part of that proceeding -- as part of that
10 proceeding, were you given an opportunity to present your
11 case and argue it?

12 A. My understanding, my counsel had the opportunity to
13 present the case to the court in the United Kingdom, yes.

14 Q. Do you feel the proceedings in the United Kingdom were
15 fair and equitable?

16 A. I have no reason to believe that the proceedings
17 themselves were not fair and were unequitable, no.

18 Q. Okay. And the United Kingdom ultimately denied your
19 petition for recognition and granted recognition to the
20 Joint Liquidators. Is that correct?

21 A. Ultimately that was their judgment, that's correct.

22 Q. Okay. The same situation occurred in Switzerland.
23 Switzerland is an independent country, is it not?

24 A. Yes, it is.

25 Q. And you submitted yourself -- did you try to get the

1 funds from Switzerland?

2 A. Oh, we tried to get control of those funds, yes.

3 Q. And -- and -- and you were not able to. Is that
4 correct?

5 A. That is correct.

6 Q. And you filed a request to have -- be recognized, have
7 the funds turned over?

8 A. That is correct, we did.

9 Q. And Switzerland determined and did not provide recog-
10 nition to you in your capacity as Receiver but -- but
11 granted the recognition to the Joint Liquidators from
12 Antigua.

13 A. Yes. Swiss -- Swiss court would not recognize my
14 actions as a Receiver in Switzerland, that's correct.

15 Q. And, Mr. Janvey, you were appointed at the request of
16 the SEC when they filed the initial complaint?

17 A. That is correct.

18 Q. And then Judge Godbey appointed you in your capacity as
19 Receiver?

20 A. That is correct.

21 Q. And Judge Godbey --

22 THE COURT: Actually that's not correct.

23 MR. REDMOND: I'm sorry, Your Honor.

24 THE WITNESS: I was appointed by your --

25 THE COURT: It's close. It was the duty judge

1 the day it happened.

2 MR. REDMOND: Oh, okay. I'm sorry, Your Honor.

3 Q. (BY MR. REDMOND) But this Court supervises your
4 actions as a Receiver, does it not?

5 A. Yes, this Court -- I am an officer of this Court, and
6 I report to this Court, that's correct.

7 Q. And because of the fact this is a proceeding in the
8 United States, you're not an arm of the U.S. government,
9 are you?

10 A. I am not an arm of the U.S. government, that's correct.

11 Q. And you don't answer to the U.S. government in your
12 capacity as Receiver.

13 A. Well, I think to say I'm not an arm does not mean I
14 don't discuss and cooperate with the U.S. government on
15 certain issues. I think that's one of the duties -- as
16 a matter of fact, I believe under the court order, I am
17 required to cooperate with the SEC on producing certain
18 records and documents. So I think the order is broader
19 than what you just said.

20 Q. But you're not -- you're in control and you don't
21 answer to the SEC in regard to your actions.

22 A. I am not in control of the SEC. I do cooperate with
23 the SEC on certain functions. And let me also add text
24 to that. The Court ordered me, in connection with moving
25 forward on professional fees, to coordinate with the SEC

1 and also to provide a budget which the SEC has input to.

2 So I want to be clear on the answer. No, I don't
3 report to the SEC, but I work with the SEC and I coordinate
4 my activities which are subject to their reviewing fees and
5 budgets.

6 Q. And you understand that the Joint --

7 THE COURT: If I could clarify. Those of us in
8 the judicial branch think we are part of the U.S. govern-
9 ment. We're not part of the executive branch, but we are
10 still part of the government.

11 And I say that somewhat facetiously, but there are some
12 issues I think that arise dealing with immunity where it
13 would affect Mr. Janvey. And I don't want him to disclaim
14 any of those potential issues by saying he's not part of
15 the government.

16 I took your question to mean, and his answer to refer
17 to, the executive branch.

18 MR. REDMOND: That's correct, Your Honor.

19 THE COURT: Okay.

20 MR. REDMOND: That's --

21 Q. (BY MR. REDMOND) Mr. Janvey, in regard to -- you're
22 aware the Joint Liquidators have been appointed by the
23 Antiguan court?

24 A. I am aware they were appointed, that's correct.

25 Q. And you're aware of the actions the Antiguan court

1 undertook in regard to -- to the removal of the prior
2 liquidators?

3 A. I am aware of that, yes.

4 Q. And that where a court appoints liquidators, that's a
5 difficult proposition to remove someone that the court's
6 physically appointed, is it not?

7 A. I would hope it would be, but I really don't have any
8 experience with that issue. So I can't answer that.

9 Q. And do you have any evidence or -- or basis that the
10 Antiguan court is not an independent court?

11 A. No reason to believe they're not.

12 Q. And you have no indication that the -- the Antiguan
13 court is not properly overseeing the -- the insolvency
14 proceedings in Antigua. Is that correct?

15 A. No. What does concern me, sir, is that there was a
16 year lapse between Vantis removed and the new liquidators
17 coming in. But, short of that, I have no issue of
18 supervision.

19 Q. Okay. In the United States, we have appeals and
20 they -- appeals take a period of time, do they not?

21 A. That is correct.

22 Q. And so if there was an appeal in the United States, it
23 could take a year or 14 months.

24 A. I am sorry to say that's accurate. That's right.

25 Q. And so if there's due process in Antigua and there's

1 an appeal process, then everybody has to abide by those
2 due process procedures, don't they?

3 A. That's accurate, yes.

4 Q. Mr. Janvey, at this point, have you been able to
5 reconcile the total dollars that were put into CDs at
6 Stanford International Bank and the total amount that
7 was paid out?

8 A. I believe my forensic team has done that. Sitting
9 here today, I can't tell you the exact numbers.

10 Q. But you've not been able to reconcile additional
11 dollars that are unaccounted for, can you?

12 A. I don't believe we -- no, I do not believe we can to
13 this day.

14 Q. Okay. Would that be something that would be beneficial
15 for creditors in order to determine the total amount of money
16 that went out and where it went to determine if they could
17 either be recovered or if there could be causes of actions
18 utilized to -- to bring those monies back in the Estate?

19 A. I believe any information given to the Receivership
20 would be beneficial if it benefits claimants. So I agree
21 with the general proposition of that statement.

22 Q. And you've had the ability to communicate with Mr.
23 Wide, one of -- one of the Joint Liquidators in Antigua,
24 have you not?

25 A. Yes, I have.

1 Q. And have you -- do you have any dispute about his
2 professionalism or his ability to -- or his background or
3 experience in regard of handling matters of this type?

4 A. I have no reason to question his ability or his
5 background whatsoever.

6 Q. And would it not be beneficial if the two proceedings
7 in Antigua and the SEC Receivership coordinate on a -- on a
8 protocol in order to effectuate exchange of information and
9 a uniform distribution procedure?

10 A. We've tried to have a coordination a number of times.
11 We thought we had one. We met with Mr. Wide and his counsel
12 twice. We thought we had an agreement moving forward, but
13 I'm sorry to say to this day we don't have one yet.

14 Q. Mr. Wide and Mr. Dickson, in preparing the protocols,
15 tried to be comprehensive based on their experience to
16 address a number of issues, issues such as allowing or
17 respecting the integrity of each court. Do you disagree
18 with that basic concept?

19 A. Well, I think the protocol that was provided to us was
20 not in -- was not in accordance with what we believed we
21 agreed to when we left the meeting with Mr. Wide and his
22 counsel. It was contrary to what we thought we agreed to.

23 Q. But my -- my question is this. You didn't answer
24 the last question I asked, and that is, when you have two
25 different courts in different jurisdictions, the integrity

1 of both those courts have to be respected in -- in regard
2 to any kind of protocol, do they not?

3 A. Well, I think -- I want to be clear. Mr. Wide is
4 trying to come to this country trying to get information
5 from this Court. I'm not trying to go to Antigua. I'd like
6 to get records from Antigua. I would like the information.
7 But I have not gone to the Antiguan court since the Antiguan
8 court denied my recognition and this Court's order.

9 So I think if there's a protocol, I think it needs
10 to be from the standpoint of what's beneficial to this
11 Receivership, not just what's beneficial to the Antiguan
12 proceeding.

13 Q. Did Mr. Wide relate to you that if a protocol could be
14 effectuated, that they would -- he would file applications
15 in Antigua to have you recognized?

16 A. He -- he did -- he did make, I believe, in the protocol
17 a representation they would attempt to do that. There was
18 no guarantee that he could do that, but that's something he
19 did say he would attempt to do, that's correct.

20 Q. And to the extent that those records in Antigua provide
21 for a joint -- a joint listing in detail of creditors who
22 have valid obligations, it would be beneficial to have a
23 joint creditor list, would it not?

24 A. It would be -- the more information a receivership has,
25 the better -- the more beneficial it is, that's correct.

1 Q. And if -- if this Court wouldn't provide any relief
2 in regard to Chapter 15 and the proceeds from other juris-
3 dictions inured to the benefit of the Antiguan litigation,
4 it would make it much more effective if the two proceedings
5 could -- could coordinate between each other to make uniform
6 distributions as part of the process.

7 A. Well, when you say uniform distribution, the protocol
8 that we received was using the Antiguan waterfall statute.
9 That is not something this Receivership is subject to. I
10 would not recommend to this Court that he follow that
11 procedure.

12 I do believe it's helpful share information. I agree
13 with that premise. And it's helpful to have a claims
14 process which is beneficial to the investors. I agree with
15 that premise, also.

16 Q. Is it also beneficial to have a protocol so the courts,
17 if they want to, can communicate with each other as part of
18 the process?

19 A. Well, I've never understood why Judge Godbey couldn't
20 communicate with the Antiguan judge on his own without a
21 protocol. Maybe there's something in the law in Antiguan
22 that says you can't do that.

23 Q. But you have not ever been involved in a cross-border
24 case or protocol before, do you?

25 A. I have not.

1 Q. And it's -- it's important for the judges to establish
2 procedures to -- to follow due process and procedure. And
3 one of the documents that was sent was a court-to-court
4 communication document that's been prepared and been inter-
5 nationally recognized as part of a procedure. Have you
6 been -- are you familiar with that document?

7 A. If it was sent to me, I'm sure I saw it. But sitting
8 here today, I'm not familiar with it.

9 Q. And, Mr. Janvey, there's -- unfortunately, there's --
10 there's corruption around the world, is there not?

11 A. Unfortunate is accurate.

12 Q. And there's corruption in each country.

13 A. That's accurate, also.

14 Q. In fact, if I remember right, during one cycle, Vice
15 President Spiro Agnew was removed from office because of
16 the fact he was taking bribes and then Richard Nixon,
17 conversely, was removed. But the vice -- president and vice
18 president of the United States were removed for improper
19 conduct and criminal acts. Do you remember that?

20 A. I'm sorry to say I'm one of the people in this court-
21 room that's old enough to remember that. That's correct.

22 Q. But with that, that doesn't mean the United States
23 doesn't have a proper legal system. It doesn't mean that
24 it's not a country that operates in a proper fashion.

25 A. No. I agree it does not mean that at all.

1 Q. And when individuals engage in corruption, then part
2 of the issue is that they should be removed and -- is that
3 correct?

4 A. They should be removed and, where possible, prosecuted,
5 that's correct.

6 Q. And you're aware that Mr. Leroy King, the former head
7 of FSRC, was removed from his position in Antigua.

8 A. I'm aware he was removed. It is my understanding he
9 has not been extradicted yet nor is he in my --

10 Q. Well, that -- that wasn't my question. My question
11 was that you understand he was removed from the FSRC --

12 A. I do understand that, that's correct.

13 Q. -- by the government of Antigua.

14 A. I presume it was the government. I know he was
15 removed.

16 Q. And then you understand there's an attempt to
17 extradite, and Mr. King is -- is fighting those
18 extradition proceedings.

19 A. That's my understanding.

20 Q. You are familiar with the -- a lot of the base offering
21 documents in regard to the CD program at Stanford Inter-
22 national Bank?

23 A. Yes, I am.

24 Q. And you've looked at those?

25 A. I have over the past 34 months.

1 Q. Okay. And those documents, as you have seen, including
2 the -- the qualified investor statement, all provide that
3 the center of -- the domicile of Stanford International
4 Bank is in Antigua.

5 A. I know the documents provide that, that's correct.

6 Q. And -- and the documents are replete that -- that the
7 laws of Antigua and Barbuda control in regard to the -- any
8 disputes between any investors.

9 A. That's what the documents provide, that's correct.

10 Q. Okay. And those -- those documents are consistent,
11 including the financial statements which have been issued
12 over a number of years by Stanford International Bank. Is
13 that correct?

14 A. I'm not sure what you mean by consistent with.

15 Q. They are consistent to show that the -- the main
16 office, the headquarters, of Stanford International Bank
17 is in Antigua.

18 A. Well, I think the documents reflect a very clever way,
19 and I'm going to -- of by asking people to commit a Ponzi
20 scheme using documents in a legal format which enabled that
21 to happen.

22 So I will concede the documents say Antigua. I will
23 agree they say domiciled. That's all correct and accurate.
24 But I think it ignores the reality of what happened in this
25 Ponzi scheme.

1 MR. REDMOND: Your Honor, I move to strike the
2 rest of the portion of the answer. I just asked whether the
3 documents show that it was -- Stanford International Bank
4 was domiciled in Antigua, and the rest of it was additional
5 amounts that -- that were -- that were provided that were
6 not -- not requested.

7 THE COURT: You know, I think it's responsive
8 because I think your question could be interpreted as
9 meaning do the documents actually establish those facts
10 about the bank.

11 And I think his answer was, yes, the documents say
12 one thing but, no, the reality is something different.

13 And so I believe that's at least in the ball park of
14 responsive.

15 Q. (BY MR. REDMOND) There was annual financial reports
16 prepared by Stanford International Bank, were there not?

17 A. There were annual financial reports prepared by the
18 Stanford enterprises. I don't -- I cannot agree they were
19 prepared by the Stanford International Bank because I know
20 input into those financial statements came from people from
21 the United States.

22 Q. But the -- the annual financial reports were -- were
23 published by Stanford International Bank and related that
24 they were annual financial reports of Stanford International
25 Bank, did they not?

1 A. That is what they purported to be, that's correct.

2 Q. Okay. And those were sent to depositors and various
3 CD investors on a yearly basis, were they not?

4 A. That's my understanding, that's correct.

5 Q. And so if -- if a depositor is making a deposit and he
6 signed the Accredited Investor agreement and receives the
7 annual report, the only information that the investor has
8 from the documents he received and signed is that the
9 headquarters of Stanford International Bank is in Antigua.
10 Is that correct?

11 A. Well, sir, I think you're trying to put onto this
12 Stanford International Bank location some corporate
13 formalities which do not exist in this Ponzi scheme. So I
14 really can't agree. I'd like to agree, but I can't. The
15 reality doesn't show that.

16 The reality shows there was a document which said
17 Stanford International Bank located in Antigua. I agree
18 with that. But everything else related to that document
19 was not accurate.

20 Q. Mr. Janvey, that's not my question. Please -- please
21 listen to my question.

22 If you're a depositor and you've taken -- and you've
23 entered into a CD arrangement with Stanford International
24 Bank, you've signed their documents, you get their annual
25 statements, if you look at those documents and you look

1 at the annual statement, is what the investor, the CD
2 investors, sees is that the headquarters of Stanford
3 International Bank and its operations are Antigua.

4 A. That's what they would see, that's correct.

5 Q. Thank you.

6 MR. REDMOND: I have no further questions,
7 Your Honor.

8 REDIRECT EXAMINATION

9 By Mr. Powers:

10 Q. Good afternoon, Mr. Janvey.

11 A. Good afternoon.

12 Q. You gave some testimony earlier about a discussion with
13 the Joint Liquidators concerning a protocol. Do you recall
14 that testimony?

15 A. I do recall that.

16 Q. Okay. I want to ask you something about that. You
17 were here earlier today when Mr. Wide testified?

18 A. Yes, I was.

19 Q. And did you hear Mr. Wide testify that he essentially
20 received a categorical no in response to the protocol?

21 A. That's what he testified to, that's correct.

22 Q. Is that accurate?

23 A. That is not accurate.

24 Q. Did you send the correspondence to Mr. Wide or you
25 through your counsel send correspondence to Mr. Wide in

1 response to that proposed protocol?

2 A. Yes. I believe my counsel sent a letter to Mr. Wide's
3 counsel in response to the protocol.

4 MR. POWERS: Your Honor, may I approach the
5 witness and the bench?

6 THE COURT: Yes.

7 MR. REDMOND: Your Honor, we object. If there's
8 an attempt to place a document in evidence that they were
9 of aware of before, they didn't incorporate in the witness
10 statement, this is -- this is improper and it should not be
11 utilized.

12 MR. POWERS: Your Honor, it's in nature of
13 rebuttal evidence in response to testimony that was only
14 elicited this morning.

15 MR. REDMOND: Your Honor, this is also settlement
16 negotiations between the different parties in regard to
17 negotiation discussions. We did not put any of the letters
18 in as far as the -- the communications and -- and background
19 information.

20 MR. POWERS: I think the horse is out of the barn
21 on that one, Your Honor. And it's our letter and we did not
22 mark it "confidential." And we're happy to have the Court
23 look at it since the Court was told incorrectly this morning
24 that we responded with a flat no to the protocol. That's
25 simply not accurate, and I would like the evidence to

1 properly reflect that.

2 MR. REDMOND: Your Honor --

3 THE COURT: Okay. I'm not going to admit the
4 letter. I think you've established for your side of the
5 case that you countered. So let's move on. They didn't
6 like the counter, apparently. Otherwise, we wouldn't be
7 here.

8 MR. POWERS: Thank you, Your Honor.

9 Q. (BY MR. POWERS) Was one of the concerns that you had
10 with the -- excuse me. You heard some discussion earlier
11 about a Department of Justice situation where they're
12 seeking control of assets overseas?

13 A. Yes, I did hear that testimony.

14 Q. Did you have any concern with respect to that issue
15 and the Joint Liquidators' proposed protocol?

16 A. Yes, I did. One of the requirements the Joint
17 Liquidators wanted was for us to assist them in fighting
18 the Department of Justice in the UK and Switzerland to
19 get hold of those funds. And I didn't believe that was
20 appropriate as a U.S. Receiver under a federal court doing
21 something like that.

22 Q. Do you have an understanding about whether the SEC
23 agrees with you?

24 A. Yeah. My understanding is the SEC agrees with me a
25 hundred percent.

1 MR. REDMOND: To which we'd object. Hearsay,
2 Your Honor.

3 THE COURT: Sustained.

4 Q. (BY MR. POWERS) Do you have an understanding of --

5 THE COURT: We have counsel for the SEC here,
6 don't we?

7 MR. REECE: Yes, Your Honor.

8 THE COURT: Do you agree that the Receiver should
9 not be adverse to the Department of Justice with regard to
10 the trapped funds?

11 MR. REECE: Yes, I agree with that, Your Honor.

12 THE COURT: Okay. Thank you.

13 Q. (BY MR. POWERS) Do you have any understanding about
14 whether the Department of Justice agrees with you?

15 A. My understanding, the Department of Justice does agree
16 with my position.

17 Q. And what's the basis of that understanding?

18 A. I believe they sent a letter to the Court yesterday
19 setting forth the basis of how they believe the process
20 should work going forward.

21 MR. POWERS: Your Honor, may I approach the
22 witness?

23 THE COURT: Yes.

24 MR. REDMOND: Your Honor, we -- we object to the
25 letter. They're not a party to this proceeding. And, as

1 such, we object to its admission or to this discussion.

2 MR. POWERS: And, Your Honor, I would just -- the
3 Court can take judicial notice of this, but it's -- it's
4 the basis of Mr. Janvey's statement that he just made that
5 the Department of Justice agrees with him.

6 I'm just seeking to have it admitted into the record
7 since it's already before the Court because of the Depart-
8 ment of Justice submittance of it to the Court.

9 MR. REDMOND: It's still hearsay. They're not a
10 party. There is no proper foundation for this, Your Honor.

11 MR. POWERS: I think this has a substantial
12 indicia of reliability and at a minimum would be admissible
13 under the Rule 807 rule of the Federal Rules of Evidence,
14 Your Honor.

15 THE COURT: I think I'm going to just on my own
16 docket the letter in the 09-721 action so that the public
17 can be aware of the communication that the Court received
18 and that counsel are already aware of. But I'll just on my
19 own nickel docket it, and people can make of it whatever
20 they choose to.

21 MR. REDMOND: And may we respond to that in a
22 pleading format?

23 THE COURT: I'm sorry. I couldn't quite hear
24 you.

25 MR. REDMOND: I'm sorry, Your Honor. May we

1 respond to that in pleading form at an appropriate time,
2 not now?

3 THE COURT: Why don't we chat about that when
4 we get to the end of the day here.

5 MR. REDMOND: Yes, Your Honor.

6 Q. (BY MR. POWERS) Mr. Janvey, you were asked some
7 questions about Stanford International Bank and where it
8 was located or domiciled. Do you recall that testimony?

9 A. I do recall that.

10 Q. Was any of the work of Stanford International Bank
11 being performed in the United States before February 17th,
12 2009?

13 A. I believe all the significant management operational
14 decisions --

15 MR. REDMOND: We object to this testimony. This
16 person does not have personal knowledge of activities taking
17 place prior to the time of his appointment as Receiver.

18 MR. POWERS: Your Honor, I think his direct
19 testimony establishes that he has reviewed extensively the
20 records of Stanford International Bank. He has been the
21 Receiver for SIB for almost three years. He clearly has a
22 basis to understand how the work of SIB was being performed,
23 and he was asked these very questions earlier today by
24 Mr. Redmond.

25 MR. REDMOND: Your Honor, there is no testimony

1 that Mr. Janvey has ever been to SIB, never been to Antigua
2 to understand how the bank operates. So there's no
3 foundation, there's no basis for this testimony.

4 MR. POWERS: Then that leaves me to question why
5 Mr. Janvey was asked about this subject only moments ago.

6 THE COURT: Maybe I should just disregard all his
7 testimony and he can step down and we'll finish early.

8 MR. REDMOND: Your Honor, his testimony is based
9 upon physical documents that he's reviewed.

10 MR. POWERS: Yes. And that's exactly the source
11 of his testimony here right now. And that's already in his
12 direct, so there's no reason to replot that ground.

13 THE COURT: I'm going to admit this under the
14 residual hearsay exception. I think this is very familiar
15 or very similar to the exception for reports of governmental
16 entities on conclusions they've reached in the discharge
17 of their duties.

18 And as the Receiver, Mr. Janvey has some obligations on
19 behalf of the Court to sort through and try and determine
20 what's been done and has devoted considerable time and money
21 towards that end and I believe, under the residual exception,
22 is entitled to testify regarding what conclusions he reached.

23 In determining what, if any, weight I give to that, I
24 will of course take into account the fact that this is kind
25 of secondhand news coming from him. But I do think he's

1 entitled to report to the Court his conclusions based on the
2 work he's done as Receiver and the work the professionals on
3 his behalf have done and reported to him.

4 So the objection is overruled.

5 MR. REDMOND: Thank you, Your Honor, for that
6 commentation.

7 Q. (BY MR. POWERS) And, Mr. Janvey, I think you were just
8 helping us understand what important work of SIB was being
9 performed in the United States before February 17, 2009.

10 Please explain.

11 A. Yes. I believe all the significant managerial,
12 operational treasury functions and investment functions
13 were done in the United States and done out the United
14 States by Stanford employees.

15 Q. And with respect to the marketing of CDs, what's your
16 understanding about whether that occurred in Antigua or
17 outside of Antigua?

18 A. My understanding is it all occurred outside of Antigua.

19 Q. And have you personally reviewed records related to
20 the work of Stanford International Bank and the affiliates
21 of Stanford International Bank?

22 A. I have reviewed those.

23 Q. And what else is this -- what information is your
24 testimony here today about Stanford International Bank
25 based upon?

1 A. My testimony is based upon the records I've reviewed
2 and the evidence I've seen. My conclusion is that I don't
3 believe the Stanford International Bank was anything but a
4 front for a Ponzi scheme.

5 Q. And Mr. Redmond pointed out that you didn't actually
6 work at Stanford International Bank or SFG or any other
7 Stanford entity before February 17, 2009. Correct?

8 A. I did not, that's correct.

9 Q. Are you in the same boat or in a different boat in
10 that respect than Mr. Wide and Mr. Dickson?

11 A. I believe we're in the same boat.

12 Q. That neither of you or none of you worked at Stanford
13 entities prior to February 17, 2009.

14 A. That is correct.

15 Q. Did Stanford International Bank continue to operate
16 after you were appointed formally on February 17th, 2009?

17 A. No. The bank was shut down on that date.

18 Q. Did that have anything to do with your actions?

19 A. I believe it did.

20 Q. And what actions did you take that resulted in the
21 bank being shut down?

22 A. Well, we notified all the employees of the Stanford
23 enterprises that the operations were shut down pursuant to
24 court order and they would cease doing any form of work and
25 to go home.

1 Q. Who controlled the money that nominally belonged to SIB
2 before February 16th, 2009?

3 A. Allen Stanford, Jim Davis, Laura Holt, and the people
4 who worked for them.

5 Q. You were asked if you had been recognized in the UK
6 and Switzerland. Do you recall that testimony?

7 A. I do.

8 Q. Have you been recognized in Canada?

9 A. I have been.

10 Q. Did you apply for recognition in Antigua?

11 A. I did apply for recognition.

12 Q. What was the result there?

13 A. The court determined that this Court's order was not
14 enforceable; therefore, I could not be recognized as an
15 interested party under Antiguan law.

16 Q. Did the court in Antigua make any decision about
17 whether you had standing to appear in Antigua?

18 A. I believe that I do not have standing to appear in
19 Antigua.

20 Q. In this court, who has final say with respect to your
21 actions regarding the Receivership Estate?

22 A. Judge Godbey.

23 THE COURT: At least for a moment or two.

24 Q. (BY MR. POWERS) You mentioned --

25 THE COURT: I have been advised by e-mail that

1 the Fifth Circuit is sitting in the Northern District of
2 Texas tomorrow, but not about anything relating to us. I'm
3 apprehensive they might make an exception if I did something
4 too wild.

5 Q. (BY MR. POWERS) You mentioned, Mr. Janvey, that you
6 had a concern about the Antiguan court and you mentioned
7 that the proceedings in Antigua were on pause for a year.
8 Do you recall that?

9 A. I do recall that testimony, yes.

10 Q. Do you have any other concerns about the Antiguan court
11 administering the liquidation of SIB?

12 A. Yes. Without in any way disparaging the Antiguan
13 judges, I have concern that the fraud that occurred occurred
14 in a regime which allowed it to happen through bribes of the
15 bank regulators, through no examination of the bank. They
16 were assisting -- the bank agency assisting defrauding the
17 SEC, stopping their investigations. That does concern me,
18 as well as a court in Antigua not recognizing this Court as
19 a legitimate court order. All that concerns me.

20 Q. And do you have any concerns about the waterfall that
21 we've heard so much about here today.

22 A. Yes, I do.

23 Q. And what are those concerns?

24 A. Well, the concern is it sets a priority distribution
25 based upon, number one, employees of the SIB; number two,

1 the government. And I think that's a restriction which I
2 don't believe a U.S. Receivership would have.

3 Q. How many cents on the dollar to your understanding
4 would the Antiguan government be paid for its claims in
5 Antigua before CD investors get paid in Antigua?

6 A. Well, I'm not sure what their claims would be, but it
7 would be a priority over the CD investors for the possible
8 taxes Allen Stanford may owe --

9 MR. REDMOND: Your Honor, we object to this
10 testimony of Mr. Janvey. I don't believe he's an expert
11 on Antiguan law.

12 THE COURT: Sustained.

13 Q. (BY MR. POWERS) You were asked some questions about
14 whether a protocol might get you access to records of SIB
15 in Antigua. Do you recall that?

16 A. Yes, I do.

17 Q. Would you be perfectly happy to be given access to
18 records in Antigua?

19 A. I would be.

20 Q. Does Chapter -- do we need this Chapter 15 proceeding
21 for -- for the JLS to give you access to records in Antigua?

22 A. I don't believe so.

23 Q. Would you be perfectly happy to have the same access
24 to records that Mr. Stanford has been given in Antigua?

25 A. Without question.

1 Q. Do you have any views about whether the Antiguan court
2 has respected this Court's orders?

3 A. I think I have testified previously that the Antiguan
4 court has said this Court's order is not enforceable and,
5 therefore, they won't view it as an enforceable order.

6 Q. You were asked some questions about coordinating with
7 the Antiguan court and coordinating on distribution and
8 other things.

9 A. Yes.

10 Q. Does one have to have Chapter 15 to coordinate on
11 distributions?

12 A. No, one does not.

13 Q. Does Antigua itself have Chapter 15 or some other
14 version of the Model Law enacted in Antigua to your
15 knowledge?

16 A. To my knowledge, they do not have the Model Law.

17 Q. You were asked some questions about Leroy King --

18 A. Yes.

19 Q. -- and that his extradition is appealed. Do you know
20 if Mr. King has been -- have any -- excuse me. Do you
21 know if any charges have been brought against Mr. King in
22 Antigua?

23 A. To the best of my knowledge, I know of no charge has
24 been brought against him.

25 Q. Is there any question in your mind that Mr. King acted

1 improperly and -- and likely unlawfully in Antigua?

2 A. Not based on the evidence I've seen, no.

3 Q. Do you know who Errol Cort is?

4 A. Yes, I do.

5 Q. Who is Errol Cort?

6 A. Errol Cort, I believe, now is currently the Minister
7 of Finance and was Mr. Stanford's attorney in Antigua.

8 Q. So, to your understanding, Mr. Cort is still a part of
9 the government of Antigua.

10 A. That's my understanding.

11 MR. REDMOND: To which we'd object, Your Honor.
12 That is hearsay. There's no -- there's no foundation for
13 that testimony.

14 MR. POWERS: I think one of the -- one of the JLs
15 this morning said that that was the case. I believe it was
16 Mr. Wide.

17 MR. REDMOND: Well, we'll withdraw the objection
18 then.

19 THE COURT: Okay.

20 Q. (BY MR. POWERS) Andrea Stoelker, you testified about
21 her?

22 A. Yes, I have.

23 Q. Who is she?

24 A. Andrea Stoelker is Mr. Stanford's, I believe, now
25 former girl friend, who was his former girl friend.

1 Q. What can you tell the Court about what Ms. Stoelker --
2 where Ms. Stoelker currently is living and working?

3 A. My understanding, Ms. Stoelker is in Antigua managing
4 properties on behalf of herself and whoever else she's
5 reporting to.

6 Q. And is she managing properties that have any
7 relationship to the properties that the Court has taken
8 jurisdiction over?

9 A. Yes. She is managing Stanford enterprise properties.

10 Q. And she is doing that today?

11 A. Yes. My understanding she is, yes.

12 Q. You were asked a lot of questions about what disclosure
13 statements and offering documents showed with respect to SIB
14 CD contracts. Do you recall that?

15 A. Yes, I do.

16 Q. In general, who was it that induced customers to sign
17 those CD contracts?

18 A. The financial advisors.

19 Q. Did the financial advisors work directly for Stanford
20 International Bank, the entity?

21 A. No. The Stanford Enterprises worked for the Stanford
22 Group Company, which is the brokerage firm, and other
23 brokerage firms in other countries.

24 Q. Do you think the Stanford International Bank and the
25 financial advisors treated the customers appropriately?

1 A. Absolutely not.

2 Q. Do you believe that the contracts between the Stanford
3 financial advisors, Stanford International Bank, and the
4 customers were entered appropriately?

5 A. No. I believe they were fraudulent from the inception.

6 Q. Was SIB a real bank?

7 A. In my mind it was not.

8 MR. REDMOND: To which we object. That calls
9 for a conclusion on the part of the witness. There's been
10 a lot of objective criteria as far as a Ponzi.

11 MR. POWERS: And, Your Honor, Mr. Janvey has a
12 lot of banking experience. He's a banking lawyer. He can
13 testify whether he believes SIB is a real bank. I think
14 it's appropriate under the circumstances considering his
15 vast factual knowledge of the information that's before
16 the Court.

17 THE COURT: Overruled. I'll consider the
18 substance of the objection in determining what, if any,
19 weight to give to the testimony.

20 Q. (BY MR. POWERS) Last question. You do a lot of
21 corporate law work?

22 A. Yes, I do.

23 Q. Did the Stanford family of companies respect corporate
24 formalities in your view?

25 A. Not according to my review, no, they did not.

1 MR. POWERS: Thank you, Your Honor. I pass the
2 witness.

3 THE COURT: How much do you think you have on
4 recross?

5 MR. REDMOND: Very short.

6 THE COURT: Okay.

7 RECROSS EXAMINATION

8 By Mr. Redmond:

9 Q. Mr. Janvey, in the litigation in the United Kingdom,
10 there was substantial litigation there, wasn't it -- was
11 there not?

12 A. Yes, there was.

13 Q. And you raised many of the same issues you've raised
14 in this proceeding regarding the recognition issues, did
15 you not?

16 A. I defer to the papers filed. But as a general rule, I
17 agree with that.

18 Q. And the court then disallowed those -- those positions
19 in the UK proceeding, did they not?

20 A. The court did not recognize me in the UK proceeding,
21 that's correct.

22 Q. And in the Antiguan proceedings when you were -- were
23 there, you were allowed -- your counsel was allowed to -- to
24 state your position. You just weren't given recognition as
25 a Receiver. Is that correct?

1 A. I believe that's correct.

2 Q. And have you sought recognition in Antigua on behalf
3 of the other entities that are -- that are non-SIB bank or
4 Stanford Trust Company?

5 A. I have not.

6 MR. REDMOND: I have no further questions, Your
7 Honor.

8 MR. POWERS: No further questions for this
9 witness.

10 THE COURT: Thank you, sir. You may step down.

11 THE WITNESS: Thank you, Your Honor.

12 THE COURT: Why don't we take a break until about
13 a quarter of 5:00, and then we'll come back and wrap up.

14 MR. SADLER: Yes, sir.

15 MR. REDMOND: Can we know the time, Your Honor?

16 MR. DAVIS: How much time we've got left?

17 THE COURT: 188. So that's 22 minutes left for
18 closing, which is perhaps longer than I want to hear from
19 you. So we'll see you back at a quarter of.

20 (Brief recess taken.)

21 MR. SADLER: Your Honor, that was, by the way,
22 the Receiver parties' final witness. I only have three
23 documents to offer, and -- and that's all of our evidence.

24 THE COURT: All right.

25 MR. SADLER: And I would like to tender to the

1 Court three exhibits. First, going in reverse order,
2 Exhibit 9, which is the order allowing Mr. Stanford access
3 to records in Antigua, dated November 15, 2011. This was
4 the order that I discussed in Mr. Wide's testimony.

5 And then Exhibits 6 and 7. 6 is Senate Resolution 346
6 from the 112th Congress on the matter of the Antigua and
7 Barbuda actions relating to the Stanford fraud, and House
8 Resolution 507, also from the 112th Congress, the House of
9 Representatives' resolution regarding the actions of the
10 government of Antigua and Barbuda and its actions related
11 to the Stanford fraud.

12 I have copies for counsel of both of those.

13 MR. GROSSMAN: Your Honor, we would object to the
14 admission of a resolution by four senators as not being --
15 as being hearsay.

16 MR. SADLER: And I think with respect to the
17 exhibits, Your Honor, what -- what I said earlier is we'd
18 like to proceed where both parties' paper that has been
19 offered is considered by the Court within the rules of
20 evidence and given what weight, if any, to all of it if
21 we don't spend time arguing about individual document
22 objections.

23 THE COURT: Okay. Just looking at these, I want
24 to be sure I'm understanding. These appear to me to be
25 proposed resolutions that have not yet been adopted by

1 either house of Congress.

2 MR. SADLER: That is correct.

3 THE COURT: Okay.

4 MR. SADLER: They were introduced very recently.

5 THE COURT: Then I will take judicial notice of
6 those for whatever they may be worth.

7 MR. SADLER: Yes, sir.

8 THE COURT: And by that I don't mean to suggest
9 that they're not worth something. I certainly have great
10 respect for the activities of Congress. I just -- it's not
11 clear to me what impact or what significance or weight they
12 have in the context of this proceeding.

13 Any objection to 9, the Antiguan court's order?

14 MR. GROSSMAN: No, Your Honor.

15 THE COURT: Okay. That's admitted.

16 How do y'all want to do objections? Do you want to
17 make objections after the fact and brief them and argue
18 them and generate a bunch more paper and then have me go
19 off and think about them for weeks and rule on them?

20 MR. SADLER: I'll --

21 THE COURT: Which I'm happy to do. There's
22 almost nothing I would rather do than that.

23 MR. SADLER: From the Receiver's and our side's
24 point of view, Your Honor, almost all of the objections
25 lodged on their side are to the kind of documents they have

1 submitted--copies of newspaper articles, stuff Your Honor
2 can find on the internet, judicial notice of pleadings.

3 And -- and it just seems to us to be, given that this
4 is not a trial to the jury where you have to worry about
5 jurors being misled about hearsay and lack of foundation and
6 all that and best evidence, that Your Honor can consider
7 everything that's been filed. Things that are inadmissible
8 or you don't feel like you should give any weight, that is
9 totally within your discretion.

10 And it does seem to us not to be a good use of their
11 funds nor our funds to brief a bunch of what I think frankly
12 are not -- not very serious objections about documents.

13 And so we would just welcome the Court to receive
14 everything and give it what weight, if any, the Court feels
15 appropriate in light of the decision you need to make.

16 THE COURT: Okay. Let's put that on your homework
17 list to think about and converse with each other. And if
18 you decide you want to brief all these things, why don't you
19 agree on a date and a page limit for supplemental briefing
20 and objections. And if you decide just to dump it all in my
21 lap, then you can let me know.

22 MR. SADLER: Yes, sir. We'll do that.

23 THE COURT: Okay. Any other housekeeping?

24 MR. SADLER: Nothing from our side, Your Honor.

25 MR. GROSSMAN: Your Honor, from the Joint

1 Liquidators' side, I know we have got the last check --
2 check clock and we know how much time we have.

3 I wondered, Your Honor -- and typical in a case with
4 as many exhibits as we have and under the time frame that
5 we've had, I don't think either side has gone through the
6 submissions that are attached to each of the directs and
7 highlighted for the Court that which is in those exhibits
8 that we would call your attention to.

9 In cases where I've had sworn written directs with
10 lots of documents, oftentimes the judge will say, either
11 come in and walk me through the parts of the exhibit you
12 want me to look at or give me a proposed findings of fact
13 and conclusions of law and reference those pieces of the
14 exhibits that you want me to look at. Because if there's
15 a 14-page document and it's one sentence in it, it doesn't
16 make sense to have you read the 14-page document and tell
17 you that's the sentence.

18 That would be a suggestion on our part, to file pro-
19 posed findings of fact and conclusions of law. We can
20 frankly then dispense with a closing today and put it in
21 the proposed findings.

22 If it's specific to the portions of the record, then
23 the evidentiary point that we just talked about, we will all
24 know whether or not there is a document that either side
25 believes is essential to a finding they are requesting the

1 Court to make and will bring into sharper focus whether we
2 really need to fight about it or not.

3 Because if it's not going to be in their proposed
4 findings of fact or our proposed findings of fact, then it
5 is irrelevant to fight about the document. But if it's
6 going to be essential theme, if someone's going to quote a
7 newspaper article and say that this is a mean finding that
8 they're asking the Court to make, then an evidentiary
9 discussion takes on a different meaning.

10 THE COURT: Okay. Let's reserve judgment on
11 timing of that. I'm open conceptually to post hearing
12 briefs or proposed findings of fact and conclusions of law,
13 either. I think, when we're done here, I'm going to want
14 to visit with counsel for a moment, and maybe that's one
15 thing that we can put on our subject of discussions.

16 So if I'm going to permit either proposed findings
17 or post hearing brief, is there anything more you want to
18 tell me today by way of closing?

19 MR. GROSSMAN: Your Honor, if we do proposed
20 findings, we don't need an oral closing.

21 THE COURT: Okay.

22 MR. SADLER: And -- and not from the Receiver,
23 Your Honor.

24 THE COURT: Okay. Then I think we can consider
25 the evidentiary record closed subject to the possible issue

1 of later objections and briefing on objections, and I think
2 most of our work here today is done. Yeah?

3 MR. GROSSMAN: Yes, sir.

4 THE COURT: Okay. Good. Then I appreciate
5 you-all working very hard to get a lot of material in in an
6 efficient manner. I'm going to take this under advisement,
7 and I would like to see counsel back in chambers, please.

8 So you want to go out that way and back around and
9 then back around.

10 MR. SADLER: Yes, sir.

11 MR. GROSSMAN: Yes, sir.

12 (The proceedings were concluded.)
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CERTIFICATION

I certify that the foregoing is a true and correct transcript from the record of proceedings in the above-entitled matter. I further certify that the transcript fees format comply with those prescribed by the Court and the Judicial Conference of the United States.

s/Linda J. Langford

Date: January 14, 2012